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ABSTRACT

The types and ranges of errors made on applications to the Basic Educational Opportunity Grant (BEOG) program were studied, along with procedures used in recovering overpayments. The objective was to assess the scope and nature of misreporting and misuse of the BEOG program. A 1975-1976 study reviewed cases referred to the U.S. Office of Education by educational institutions. Special attention was given to the reasons for institution referrals, the prevalence of confirmed errors on Student Eligibility Reports (SER), applicant characteristics associated with SER errors, and characteristics of schools sending referrals. Another study investigated a random sample of about 6,000 applicants who were selected based on 1976-1977 applications that were believed to entail errors on Student Eligibility Reports. The "high risk" applicants were selected according to specific criteria, including inconsistencies in taxes paid and reported income on the application; household size was not equal to reported tax exemptions, and SER corrections resulted in Student Eligibility Index changes greater than 250 points. Also assessed was a formal method of identifying overpayment cases and collecting BEOG funds disbursed to ineligible applicants. Statistical findings of the studies are included. (SW)

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VALIDATION OF STUDENT AND PARENT REPORT DATA ON THE BASIC GRANT APPLICATION FORM

FINAL REPORT

VOLUME II

Institution Referral Study
Pre-established Criteria Study
Overpayment Recovery

June 30, 1977

Prepared for:

Division of Basic and State Student Grants
Office of Education
Department of Health, Education, and Welfare

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1

INTRODUCTION

The Basic Grant Program, authorized by the Education Amendments of 1972, was established to provide a foundation of education financial assistance for postsecondary education to all students meeting the eligibility requirements of the Program. In comparison to many other financial aid programs which may require maintenance of certain academic standards, or may be evaluated based on the school's "relative need", the Basic Grant Program is based solely on financial need as determined by such factors as family size, available income and assets, and the costs of the institution.

The Basic Grant Program is approaching it's fifth year of operation and has proven to be an extremely popular program, as evidenced by the millions of applications that have been submitted since its inception. With the volume of applicants increasing each year, there has been an increased commitment to maintain the integrity of the program through periodic reviews of the program policies and regulations. A major effort undertaken as a part of this commitment was the development and implementation of validation procedures on Basic Grant applications, which was performed on a contract basis with the USOE. The primary emphasis of this study was to assess the types and range of errors made on BEOG applications.

In a continued effort to maintain the integrity of the Basic Grant Program and to further study the extent and types of misreporting on the Basic Grant application, the Division of Basic

and State Student Grants awarded a second-year contract to continue the validation of Basic Grant applications and to initiate overpayment recovery procedures identified through referrals from institutions. Each of these tasks, although different in design and intent have one common objective, i.e. to assess the scope and nature of misreporting and misuse of the Basic Grant Program. A brief description of these two activities is given below.

Individual Validation Studies

Validation of individual applications consisted of two component studies modified and expanded from the 1975-76 validation project. The first component study, the Institution Referral Study, involved reviewing cases referred to the Office of Education by participating BEOG institutions. The types of cases requested for referral were those in which apparently discrepant information entered on Student Eligibility Reports conflicted with other sources of student information maintained by financial aid offices. The following types of cases were investigated:

- Current year institution referrals (1976-77)
- Carry-over cases from the previous validation (1975-76)
- Cases containing multiple year discrepancies

There were also several cases which were referred for follow-up by sources other than institutions. These included the following:

- Cases referred by the Office of Education
- Cases referred by the processing agency
- Self-reported cases referred by students

The second component study, the Pre-established Criteria Study, was obtained by selecting a random sample of approximately 6,000 applicants from a set of applications filed in the 1976-77 academic year which a priori were believed to be possible cases involving errors on Student Eligibility Reports. In both of the component studies, applicants were requested to provide documents to support SER data and to correct erroneous information once the

SER was determined to be incorrect. A series of follow-up activities were then implemented until the cases were resolved or closed due to non-acceptable response.

Overpayment Recovery

In conjunction with the development and implementation of the Individual Validation Studies, the Office of Education also established a formal method of identifying overpayment cases and collecting BEOG funds issued to students who received disbursements under ineligible conditions. The Overpayment Recovery System was developed and implemented to serve this function. This was the first large scale, formalized regular collection effort undertaken by the Basic Grant Program.

The circumstances under which a case was reported to the Office of Education for recovery of overpaid funds involved the following:

- Cases in which students withdrew from school after obtaining a Basic Grant check
- Cases in which a student's eligibility index (SEI) increased after obtaining a check for grant award based on lower SEI
- Cases in which students received an award based on ineligible conditions (Bachelor's degree already obtained, non-citizen status, etc.)

All cases were reported only after attempts to collect funds at the institutional level had been unsuccessful. Students referred for collection action were contacted and requested to select a suitable repayment plan. The main objective in this effort was to initiate repayment and to encourage students to continue making regular payments to the Basic Grant Program until the overpayment had been completely refunded. Follow-up activities were also implemented for cases of non-response.

The results of these studies are presented in the following chapters. The individual validation studies are presented in Chapters 2 and 3, respectively. In addition, a separate chapter

assesses the effectiveness of the procedures used to conduct the validation studies (Chapter 4). Chapter 5 presents an analysis of the procedures used in conducting the overpayment recovery. Each chapter begins with an introduction to the study, a brief discussion of the study methodology, a description of the analytical techniques employed, a presentation of the study findings and, finally, a brief chapter summary.

2

INDIVIDUAL VALIDATION FINDINGS: INSTITUTION REFERRAL STUDY

2.1 STUDY OVERVIEW

As a means of monitoring the validity of information reported on the Basic Grant application, the Basic Grant Program has requested for the past two academic years, that financial aid officers report any apparent discrepancies found on Student Eligibility Reports (SERs) which have not been resolved through institutional communications with the student. A systematic procedure for reporting discrepancies, contacting students regarding such discrepancies and processing all communications with students was developed and implemented during the 1975-76 academic year, and continued for the duration of the current 1976-77 year. This process constituted the Institution Referral Study. The purpose of this study was to investigate reported discrepancies in an effort to evaluate the types and scope of errors made on Basic Grant applications as well as to provide institutions with a system for reporting suspected instances of program abuse.

The 1976-77 Institution Referral Study was initiated through mailing a "Dear Colleague" letter to participating BEOG institutions. This letter outlined the procedures institutions should follow for reporting discrepancies. The majority of the cases were reported to the Office of Education because the institutions possessed other documents that conflicted with information reported on the SER. However, referrals which did not include references to conflicting documentation, but which displayed

a high likelihood of an SER discrepancy were also considered valid cases. For example, cases in which no income was reported were considered valid for follow-up. Each case referred by an institution was reviewed to determine whether sufficient supporting information existed to warrant initiation of validation procedures. If cases were lacking certain information, the referring institution was contacted to obtain clarification and/or additional information. When the validation contractor determined that sufficient evidence was available to support the likelihood of error, the case was categorized by possible discrepancy type and validation efforts were implemented.

2.2: VALIDATION METHODOLOGY

The procedures for validating Basic Grant applications began with sending a letter to the applicant stating the nature of the reported discrepancy and requesting that the applicant review the SER item(s) in question, send appropriate documentation to the BEOG validation office to support the questionable SER item(s), and make any necessary corrections. This letter was mailed directly to independent students and mailed to the parent(s) of dependent students. The types of documentation requested varied depending upon the nature of the reported discrepancy. Examples of types of documentation requested for verification of the SER include the following:

- Notarized Federal Income Tax Forms 1040 or 1040A
- Notarized Form W-2 (Wage and Tax Statements)
- Social Security Form #2458
- VA Form #8332A-2
- Statement of benefits from local public assistance offices
- Form I 151 (Alien Registration Receipt Card)
- Statement of asset values and debts

If the addressee did not have an income reportable to the Internal Revenue Service and did not have reasonable access to formal documents to indicate amounts and sources of this income,

the addressee was permitted to supply a notarized statement that indicated his/her financial information. This procedure was utilized in those cases where special circumstances made it impossible or extremely difficult for the addressee to comply with the documentation requests.

Concurrent with the mailing of the initial letter to the applicant or his/her parents, a letter was also mailed to the referring Financial Aid Officer indicating that follow-up activities had been initiated. A copy of the letter sent to the student by the validation contractor was enclosed. This communication gave instructions to the financial aid office specifying that any further BEOG payments to the student should be withheld until further notice from the Office of Education. Discontinuing BEOG payments was not effected when a SER discrepancy involved an applicant's assets (home and business value, stocks, bonds, cash savings, etc.) This was because these were difficult items to validate without an undue invasion of personal privacy.

There were several other instances in which BEOG payments were not withheld, i.e., cases which were self-referred and cases referred by the Office of Education or the processing contractor. In many of these cases the institution was unknown. In these instances, a letter was simply mailed to the student requesting that he/she provide documentation to verify the SER item(s) which appeared questionable. The student was also asked to provide the name of the institution.

If the applicant failed to respond to the initial request within the allotted time, a follow-up letter was sent via certified mail. Non-response to this letter resulted in mailing a final follow-up letter via certified mail informing students that continued non-response would result in suspension of his/her award. If no response was received, the student was sent a letter informing him/her that the award had been suspended. The institution was also contacted and informed that payments should continue to be withheld.

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All responses received from applicants were carefully reviewed for acceptability. In order to be considered an acceptable response, the student must have supplied documentation verifying the questionable data on the SER and changed the item on the SER if it was incorrect. In cases meeting these two conditions, a letter was sent to the respondent indicating that the materials supplied were satisfactory. The letter mailed to students whose cases involved SER corrections informed them to take the newly corrected SER to the institution for recalculation of their award. Concurrent with the mailing of this letter, a letter was sent to the institution instructing the financial aid office to resume BEOG payments in accordance with the new Student Eligibility Index (SEI).

For all cases in which responses were classified as unacceptable, i.e., responses containing incorrect documentation or incorrect SER modification, an additional letter was necessary. This letter consisted of a basic form letter informing the student of the consequences of non-response and an individualized attachment outlining the exact materials needed to fulfill the response requirement. If no response was received within the allotted time after the mailing of this letter, the student's award was suspended.

All transactions with students and financial aid officers during the validation process were recorded and entered into the BEOG Automated Receipt Control (BARC) System from which tables included in this report have been derived. A complete step-by-step description of all procedures used in the validation are given in Chapter 2 of Volume I of the Basic Grant Validation Study Final Report (Revised Procedural Manual).

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2.3: APPROACH TO DATA ANAYLSIS

The appropriate analytical techniques for the Institution Referral Study were simple descriptive statistics such as univariate and joint frequency distributions. Distributions were presented as absolute and/or relative frequencies depending on the purpose for which data are presented. In addition, means and standard deviations were developed for dependent variables that were interval in nature if these statistics were informative. Exhibit A presents an explanation of the table format in which data is presented.

No inferential statistics were generated. It should also be noted that because of the non-random sample selection process and small sample size, population projections based upon study results are not statistically justifiable. This does not, however, negate the value of study results for identifying areas of the Basic Grant Program which could be modified to reduce potential program abuse and to improve the manner in which the program is managed.

Variables investigated were those directly relevant to the basic study objectives presented in the introduction to this report. That is, only those variables providing information relative to 1) the degree of actual and potential program abuse; 2) the characteristics of applicants likely to misreport data; and 3) procedures for screening and correcting erroneous applications were developed in the tables which follow. These variables are as follows:

Independent Variables

The first category of independent variables for analysis comprised institution variables. It was felt that Basic Grant

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EXHIBIT A

EXPLANATION AND SAMPLE OF TABULAR PRESENTATION OF STUDY FINDINGS - PRESENTED IN PERCENTAGES

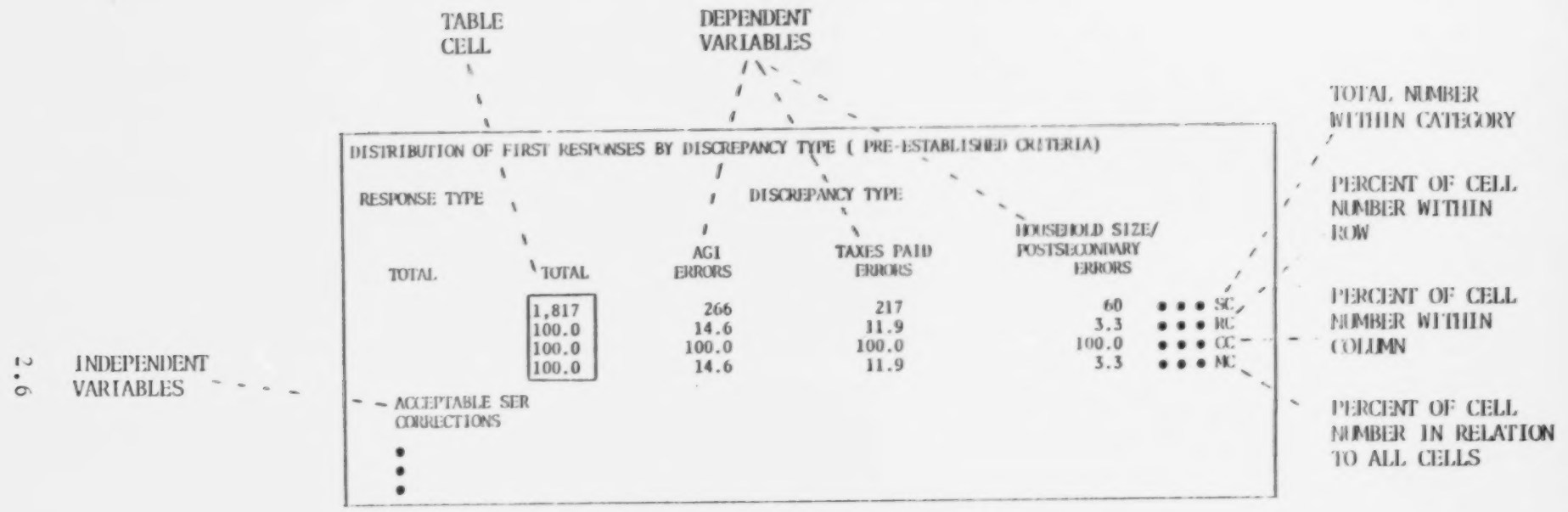
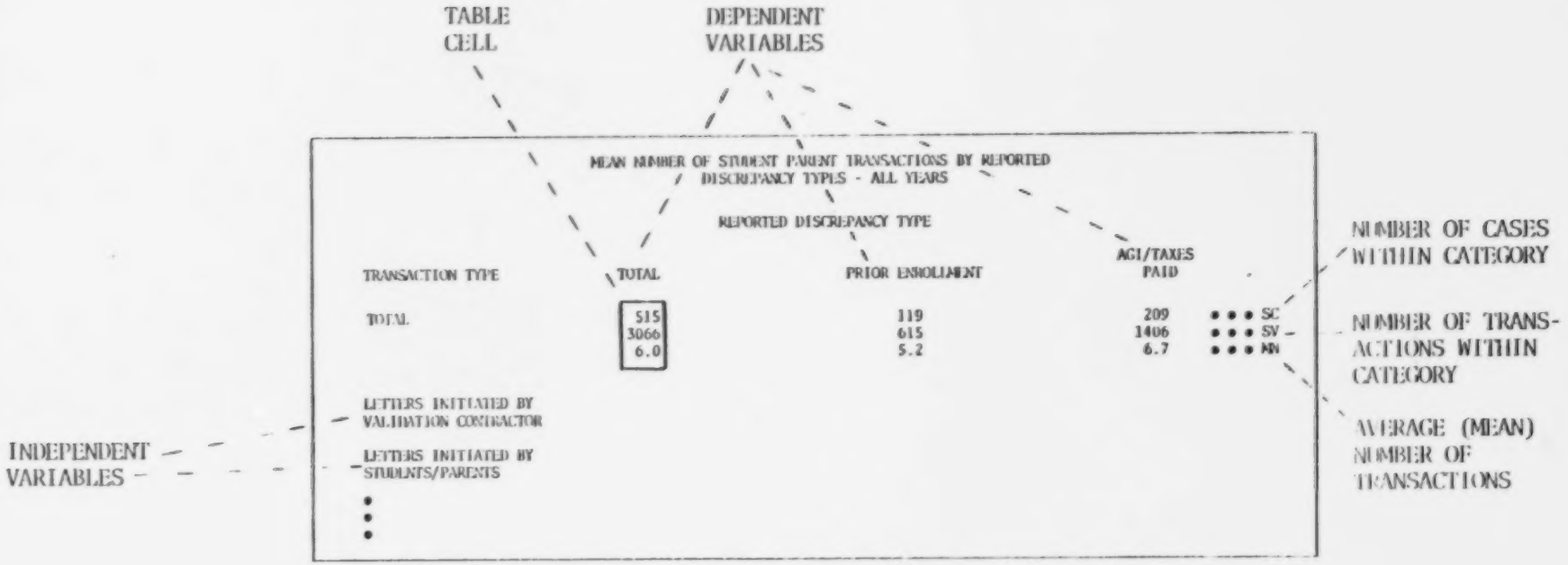


EXHIBIT A (continued)

EXPLANATION AND SAMPLE OF TABULAR PRESENTATION
OF STUDY FINDINGS - PRESENTED IN MEANS



application misreporting may vary as a function of the type of institution an applicant attended. The two characteristics of institutions addressed in this study are:

- institution size
  - enrollment of less than 1,000 students
  - enrollment between 1,000 and 5,000 students
  - enrollment over 5,000 students
- institution type
  - public institutions
  - private institutions
  - private proprietary institutions

Another variable was the type of documentation used by financial aid officers to support allegations of SER discrepancies:

- supporting documentation
  - ETS Parent Confidential Statement
  - ACT Financial Need Statement
  - Federal Tax Form
  - State Tax Form
  - Affidavit of Nonsupport
  - Institution Need Analysis Form
  - Transcript
  - No documentation for zero income cases
  - Veterans Benefits Statement
  - Social Security Benefit Statement
  - Student Visa
  - Other (informal) documentation
  - No formal documentation

This variable is important because identification of those sources of information most useful in determining valid SER errors may improve future Basic Grant application verification at the institutional level.

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In addition to these three variable categories, two variables were selected which related to the personal and financial circumstances of the applicants:

- student's filing status
  - dependent students
  - independent students
- income level
  - annual income less than $4,000
  - annual income between $4,000 and $6,999
  - annual income between $7,000 and $10,000
  - annual income over $10,000

The final independent variable considered in the Institution Referral Study is the mode of case resolution. This variable is critical in that it describes the incidence of confirmed SER misreporting, and is also useful in establishing the type of alleged discrepancies amenable to validation through procedures utilized in this study:

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- resolution status
  - student did not use grant
  - resolved by institution
  - valid SER correction
  - acceptable documentation
  - non-response
  - resolved by Office of Education decision
  - unable to contact student/parent

Dependent Variables

There are basically two dependent variables addressed in the Institution Referrral Study. The first is the type of reported discrepancy. Frequently reported discrepancies were identical to actual errors, but this was not always true. Therefore, tables are presented separately for each variable type. Categories include the following:

- reported discrepancies
  - enrollment in postsecondary schools prior to April, 1973 (prior enrollment)
  - errors in taxes reported paid (taxes paid)
  - errors in reported household size (household size)
  - errors in reported adjusted gross income (AGI)
  - errors in reported child support payments (child support)
  - errors in reported marital status (marital status)
  - errors in reported medical/dental expenses (medical/dental)
  - errors in reported casualty/theft losses (casualty/theft losses)
  - errors in reported home value (home value)
  - errors in reported cash savings (savings)
  - errors in reported Veteran's Benefits (Veteran's Benefits)
  - errors in reported citizenship or immigration status (citizenship)
  - errors in the number of family members attending postsecondary schools (post-high)

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- errors in reported Social Security benefits (Social Security)
- errors in reported welfare benefits (welfare)
- errors in reported dependency status (dependency status)
- multiple discrepancies
- other non-taxable income
- zero/low income

• actual discrepancies
- adjusted gross income misreported (AGI)
- adjusted gross income misreported - step-parent (step-parent)
- taxes withheld rather than taxes paid
- taxes other than income taxes reported
- errors in reported taxes paid, n.e.c.
- other income[1/] reported as a monthly disbursement
- other income already reported as part of adjusted gross income
- other income (step-parent case)
- Veteran's Benefits reported as other income
- other income issues other than those cited above
- errors in Veteran's Benefits, n.e.c.
- number of family members in postsecondary schools identical with total family size
- number of family members in postsecondary schools includes all children attending schools of any type (elementary, secondary, etc.)
- errors in reported number of family members in postsecondary schools, n.e.c.
- errors in reported household size
- enrollment in postsecondary schools prior to April, 1973
- errors in reported citizenship or immigration status

1/ For purposes of Basic Grant applications, "other income" refers to nontaxable income not reported on Federal or State Income Tax returns such as Social Security benefits, welfare, child support, and other non-taxable sources of income.

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- errors in reported dependency status
- errors in reported assets
- errors in unusual expenses
- errors in applicant's reported cash savings
- other types of discrepancies, n.e.c.

The reason for the differences in variable categories between reported and actual discrepancies is that reported discrepancy categories were developed on a priori assumptions about misreporting the validation contractor was likely to encounter. Actual discrepancies, however, were developed to 1) reflect actual reporting problems that could give rise to specific policy recommendations and 2) to be comparable with discrepancy categories established for the Pre-established Criteria Study (Chapter 3).

2.4: INSTITUTION REFERRAL STUDY RESULTS

This section presents the findings and results of the Institution Referral Study. The following text is divided into several subsections, each describing a key area in the analysis of study data. Section 2.4.1 reviews the degree of institutional participation in the study, Section 2.4.2 describes basic individual case statistics and Section 2.4.3 describes basic institution statistics.

2.4.1: Institution Participation

To date the validation contractor received 437 referrals from 97 institutions. This does not include the carry-over cases from the 1975-76 validation study, 1976-77 referrals from the Office of Education or referrals from students themselves. Again, as was the case in the 1975-76 study, the number of referrals from eligible institutions fell short of the 2,000 anticipated by the Office of Education.

The majority of this year's referrals came from four-year institutions and community colleges. This was a change from last year's study in which four-year institutions' participation was lower than community colleges, technical, and vocational schools' participation. While the community college response remained consistent for both contract years, the response from technical

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and vocational schools decreased. Out of the 437 total referrals, 295 were from 67 four-year institutions, 128 from 20 community colleges, and the remaining 14 were split between technical and vocational schools. It is interesting to note that the total number of referrals and referring institutions in the 1976-77 validation effort were slightly lower compared to the 1975-76 study.

2.4.2: Individual Case Statistics

Reported Discrepancies

Validation procedures were initiated for 876 institution referrals during the 1976-77 academic year. Of this number, 528 were successfully resolved. The remaining 348 referrals were still undergoing follow-up procedures at the time this report was prepared. The information presented in this and other sections of this chapter will pertain only to those cases which were successfully closed.

Table 2.1 presents the distribution of reported discrepancies referred to the validation contractor by discrepancy type and Basic Grant application year. This table also indicates the frequency of confirmed errors among each reported discrepancy category.

Overall, adjusted gross income discrepancies and prior enrollment errors represent more than 50 percent of all reported discrepancies (39.5% and 22.7%, respectively). It should be noted that the prior enrollment discrepancy pertained only to applicants receiving grants prior to the 1976-77 processing year. Beginning with the 1976-77 grants, the Office of Education eliminated the "no attendance in postsecondary education prior to April 1, 1973" as a criterion for Basic Grant eligibility.

Among resolved cases, Table 2.1 also indicates that overall 55 percent (291 of 528) had confirmed SER errors in the category for which they were referred. That is, of the 194 carry-over cases from 1975-76 that were referred because of potential adjusted gross income errors, Table 2.1 indicates that 95 had confirmed adjusted gross income errors. This does not mean, however, that

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TABLE 2.1

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DISTRIBUTION OF REPORTED DISCREPANCIES BY APPLICATION YEAR (INSTITUTION REFERRAL)

DISCREPANCY TYPE	1976-77 REPORTED	1976-77 CONFIRMED	1975-76 REPORTED	1975-76 CONFIRMED	OTHER REPORTED	OTHER CONFIRMED	
TOTAL	49	22	467	260	12	9	SC
	100.0	100.0	100.0	100.0	100.0	100.0	RC
							CC
							MC
ADJUSTED GROSS INCOME	15	11	194	95			SC
	30.6	50.0	41.5	36.5			RC
							CC
							MC
TAXES PAID			5	3			SC
			1.1	1.2			RC
							CC
							MC
OTHER INCOME	3	2	36	32	1	1	SC
	6.1	9.1	7.7	12.3	8.3	11.1	RC
							CC
							MC
HOUSEHOLD SIZE/NUMBER IN POST-HIGH SCHOOL			16	12			SC
			3.4	4.6			RC
							CC
							MC
ASSETS/EARNINGS	1		1	1			SC
	2.0		0.2	0.4			RC
							CC
							MC
DEPENDENCY STATUS	8		32	9			SC
	16.3		6.9	3.5			RC
							CC
							MC
PRIOR ENROLLMENT			112	72	8	8	SC
			24.0	27.7	66.7	88.9	RC
							CC
							MC
OTHER	4	2	9	7	1		SC
	8.2	9.1	1.9	2.7	8.3		RC
							CC
							MC
MULTIPLE	5	2	41	24	2		SC
	10.4	9.1	8.8	9.2	16.7		RC
							CC

2.14

TABLE 2.1 (continued)

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DISTRIBUTION OF REPORTED DISCREPANCIES BY APPLICATION YEAR (INSTITUTION REFERRAL)

DISCREPANCY TYPE	1976-77 RE-PORTED	1976-77 CON-FIRMED	1975-76 RE-PORTED	1975-76 CON-FIRMED	OTHER RE-PORTED	OTHER CON-FIRMED
[illegible] INCOME	9	5	21	5		
	18.4	22.7	4.5	1.9		

SC
HC
CC
HC

2.75

the other 99 referrals for possible adjusted gross income errors were error-free. If errors did occur on these other 99 cases, though, they were not adjusted gross income discrepancies.

Based on this interpretation of the "confirmed" discrepancy columns in Table 2.1, then, it is clear that overall confirmed "other income" and household/postsecondary offset discrepancies were most likely to occur in the category for which these cases were referred (12 of 16 cases for offset errors; 35 of 40 cases for "other income" errors). While the "efficiency" of referrals was lower for other reported discrepancy categories, the confirmation rate never fell below 33 percent and, in most cases, was well above 50 percent. This reporting efficiency compares very favorably with the 1975-76 validation effort even though the 1976-77 project involved considerably more cases and conditions sufficient for investigating potential discrepancies were less stringent (see page 2.42).

Mode of Case Resolution

As indicated in the previous section, of the 876 institution referrals processed during the current validation project, 528 were successfully resolved at the time this report was prepared. Resolution could be achieved in any one of seven modes. These are:

- non-use of Basic Grant award
- resolution of application errors at the institutional level
- submission of documentation reaffirming the validity of applications' data
- submission of a corrected Student Eligibility Report
- resolution through a policy decision by the Office of Education project staff
- inability to contact the student or her/her parents (mail returned "addressee unknown," or "moved, left no forwarding address")
- non-response to prescribed follow-up procedures

In those cases in which resolution was a result of applicant non-response, students' names and social security numbers were sent to the Basic Grant processor. Should these applicants attempt to secure Basic Grants for the 1977-78 academic year, their application will be flagged and will not be processed until they have resolved potential discrepancies from previous years with the validation contractor.

The distribution of cases within the various closure modes is presented in Table 2.2. Valid SER corrections accounted for 58.7 percent of all case resolutions. Closure due to non-response accounted for 24.1 percent of all resolutions. Comparisons with the 1975-76 study for this particular table are difficult because of differences in procedures for closing cases. However, the proportion of cases closed due to the submission of acceptable SER corrections was reasonably comparable for both study years.

The only major difference between the 1976-77 and the 1975-76 closure mode configuration pertained to the proportion of cases closed due to resolution at the institutional level. During the 1975-76 study, 16.4 percent of all closed cases occurred through institutional activity. This was true for only .2 percent of all resolved cases processed during the 1976-77 study.

In terms of closure variations among specific reported discrepancy types, Table 2.2 indicates that those cases, which previous experience has indicated have the greatest likelihood of application discrepancy, exhibited the highest rates of closure due to non-response. These categories include zero/low income cases (40.0% closed due to non-response) multiple discrepancy cases (28.8% closed due to non-response), dependency status cases (37.5% closed due to non-response) and prior enrollment cases (30% closed due to non-response).[1/]

[1/] It should be noted that rates of non-response did not vary significantly as a function of application year validated during the 1976-77 study.

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TABLE 2.2

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MODE OF CASE RESOLUTION BY REPORTED DISCREPANCY TYPES - ALL YEARS (INSTITUTION REFERRAL)

REPORTED DISCREPANCY TYPE	TOTAL	MODE OF RESOLUTION: STUDENT DID NOT USE GRANT	INSTITUTION RESOLUTION	VALID SER CORRECTION	ACCEPTABLE DOCUMENTATION	NON-RESPONSE	OE RESOLUTION	UNABLE TO CONTACT STUDENT/PARENT	
TOTAL	528		1	310	58	127	3	29	SC
	100.0		0.2	58.7	11.0	24.1	0.6	5.5	RC
	100.0		100.0	100.0	100.0	100.0	100.0	100.0	CC
	100.0		0.2	58.7	11.0	24.1	0.6	5.5	MC
PRIOR ENROLLMENT	120			69	5	36		10	SC
	100.0			57.5	4.2	30.0		8.3	RC
	22.7			22.3	8.6	28.3		34.5	CC
	22.7			13.1	0.9	6.8		1.9	MC
TAXES PAID	5			3		2			SC
	100.0			60.0		40.0			RC
	0.9			1.0		1.6			CC
	0.9			0.6		0.4			MC
HOUSEHOLD SIZE									
ADJUSTED GROSS INCOME	209		1	133	30	38	2	5	SC
	100.0		0.5	63.6	14.4	18.2	1.0	2.4	RC
	39.6		100.0	42.9	51.7	29.9	66.7	17.2	CC
	39.6		0.2	25.2	5.7	7.2	0.4	0.9	MC
CHILD SUPPORT PAYMENTS									
MARITAL STATUS	1					1			SC
	100.0					100.0			RC
	0.2					0.8			CC
	0.2					0.2			MC
MEDICAL/DENTAL EXPENSES									
CASUALTY/THEFT LOSSES									
HOME VALUE	1			1					SC
	100.0			100.0					RC
	0.2			0.3					CC
	0.2			0.2					MC
SAVINGS	1				1				SC
	100.0				100.0				RC
	0.2				1.7				CC
	0.2				0.2				MC
VETERANS BENEFITS	21			18	1	1		1	SC
	100.0			85.7	4.8	4.8		4.8	RC
	4.0			5.8	1.7	0.8		3.4	CC
	4.0			3.4	0.2	0.2		0.2	MC

2.18

TABLE 2.2 (continued)

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MODE OF CASE RESOLUTION BY REPORTED DISCREPANCY TYPES - ALL YEARS (INSTITUTION REFERRAL)

REPORTED DISCREPANCY TYPE	TOTAL	MODE OF RESOLUTION: STUDENT DID NOT USE GRANT	INSTITUTION RESOLUTION	VALID SER CORRECTION	ACCEPTABLE DOCUMENTATION	NON-RESPONSE	OE RESOLUTION	UNABLE TO CONTACT STUDENT/PARENT	
CITIZENSHIP	13			7		2		4	SC
	100.0			53.8		15.4		30.8	RC
	2.5			2.3		1.6		13.8	CC
	2.5			1.3		0.4		0.8	MC
NUMBER IN POST-HIGH SCHOOL	16			13	1	2			SC
	100.0			81.3	6.3	12.5			RC
	3.0			4.2	1.7	1.6			CC
	3.0			2.5	0.2	0.4			MC
SOCIAL SECURITY BENEFITS	1			1					SC
	100.0			100.0					RC
	0.2			0.3					CC
	0.2			0.2					MC
WELFARE BENEFITS	1			1					SC
	100.0			100.0					RC
	0.2			0.3					CC
	0.2			0.2					MC
DEPENDENCY STATUS	40			16	6	15	1	2	SC
	100.0			40.0	15.0	37.5	2.5	5.0	RC
	7.6			5.2	10.3	11.6	33.3	6.9	CC
	7.6			3.0	1.1	2.8	0.2	0.4	MC
MULTIPLE DISCREPANCIES	52			25	9	15		3	SC
	100.0			48.1	17.3	28.8		5.8	RC
	9.8			8.1	15.5	11.8		10.3	CC
	9.8			4.7	1.7	2.8		0.6	MC
OTHER INCOME	17			14		3			SC
	100.0			82.4		17.6			RC
	3.2			4.5		2.4			CC
	3.2			2.7		0.6			MC
ZERO/LOW INCOME	30			9	5	12		4	SC
	100.0			30.0	16.7	40.0		13.3	RC
	5.7			2.9	8.6	9.4		13.8	CC
	5.7			1.7	0.9	2.3		0.8	MC

OTHER

Confirmed Discrepancies

As indicated in the preceding section, validation efforts initiated for institution referral cases resulted in 310 instances in which one or more errors were detected in the Student Eligibility Reports. In total, 481 errors were documented. The distribution of these errors by key Student Eligibility Report data fields is presented in Table 2.3. Note that counts entered in this table, do not represent unique cases. That is, if a given case had two confirmed errors, this case would be entered twice in Table 2.3.

As might be anticipated, errors in reporting adjusted gross income accounted for 28.3 percent of all confirmed SER discrepancies. Errors involving misreported non-taxable income accounted for 14.9 percent of all confirmed errors while discrepancies in reporting Federal income taxes paid resulted in another 13.3 percent of all confirmed errors. All other data fields exhibited few errors, generally speaking.[1/]

In terms of the distribution of confirmed errors by dependency status, Table 2.4 indicates that 22.2 percent of all confirmed errors were accounted for by independent students and the remaining 77.8 percent by dependent students. As the following text table demonstrates, independent students have proportionately fewer confirmed errors than would be expected relative to their prevalence among referrals processed. Thirty-three percent of all institution referrals were independent students and 77.8 percent were dependent.

Distribution of Confirmed Errors
by Dependency Status

	Independent Student	Dependent Student
Percentage of Referrals	33.3%	66.7%
Percentage of Confirmed Errors	22.2%	77.8%

[1/] Prior enrollment problems accounted for 17.5% of confirmed errors, but as indicated previously, this error type is no longer of concern to future validation efforts.

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TABLE 2.3

DISTRIBUTION OF CONFIRMED STUDENT ELIGIBILITY REPORT DISCREPANCIES BY APPLICATION YEAR (INSTITUTION REFERRAL)

CONFIRMED DISCREPANCY TYPE	TOTAL	APPLICATION YEAR 1976-77	1975-76	OTHER	
TOTAL	481	44	427	10	SC
	100.0	9.1	88.8	2.1	AC
	100.0	100.0	100.0	100.0	CC
	100.0	9.1	88.8	2.1	MC
ADJUSTED GROSS INCOME MISREPORTED	129	11	118	1	SC
	100.0	12.5	86.8	0.7	AC
	26.8	38.6	27.6	10.0	CC
	26.8	3.5	24.5	0.2	MC
AGI MISREPORTED - STEP-PARENT CASE	1		1		SC
	100.0		100.0		AC
	0.2		0.2		CC
	0.2		0.2		MC
TAXES WITHHELD REPORTED MAINER THAN TAXES PAID	2	1	1		SC
	100.0	50.0	50.0		AC
	0.4	2.3	0.2		CC
	0.4	0.2	0.2		MC
TAXES OTHER THAN INCOME TAXES REPORTED	22		22		SC
	100.0		100.0		AC
	4.6		5.2		CC
	4.6		4.6		MC
TAXES PAID MISREPORTED - OTHER THAN ABOVE	40	6	34		SC
	100.0	15.0	85.0		AC
	8.3	13.6	8.0		CC
	8.3	1.2	7.1		MC
OTHER INCOME REPORTED MONTHLY	3		3		SC
	100.0		100.0		AC
	0.6		0.7		CC
	0.6		0.6		MC
OTHER INCOME REPORTED FROM AGI	2		2		SC
	100.0		100.0		AC
	0.4		0.5		CC
	0.4		0.4		MC
OTHER INCOME MISREPORTED - STEP-PARENT CASE	1		1		SC
	100.0		100.0		AC

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TABLE 2.3 (continued)

DISTRIBUTION OF CONFIRMED STUDENT ELIGIBILITY REPORT DISCREPANCIES BY APPLICATION YEAR (INSTITUTION REFERRAL)

CONFIRMED DISCREPANCY TYPE	APPLICATION YEAR TOTAL	1976-77	1975-76	OTHER	
	0.2		0.2		CC
	0.2		0.2		MC
VETERANS EDUCATIONAL BENEFITS REPORTED AS OTHER INCOME	1		1		SC
	100.0		100.0		RC
	0.2		0.2		CC
	0.2		0.2		MC
OTHER INCOME MISREPORTED - OTHER THAN ABOVE	65	7	57	1	SC
	100.0	10.8	87.7	1.5	RC
	13.5	15.9	13.3	10.0	CC
	13.5	1.5	11.9	0.2	MC
VETERANS BENEFITS MISREPORTED	20		20		SC
	100.0		100.0		RC
	4.2		4.7		CC
	4.2		4.2		MC
NUMBER IN POST-HIGH SCHOOL EQUALS HOUSEHOLD SIZE	3		3		SC
	100.0		100.0		RC
	0.6		0.7		CC
	0.6		0.6		MC
NUMBER IN POST-HIGH SCHOOL EQUALS NUMBER IN SCHOOL	2		2		SC
	100.0		100.0		RC
	0.4		0.5		CC
	0.4		0.4		MC
NUMBER IN POST-HIGH SCHOOL MISREPORTED - OTHER THAN ABOVE	34	1	33		SC
	100.0	2.9	97.1		RC
	7.1	2.3	7.7		CC
	7.1	0.2	6.9		MC
HOUSEHOLD SIZE MISREPORTED	13	2	11		SC
	100.0	15.4	84.6		RC
	2.7	4.5	2.6		CC
	2.7	0.4	2.3		MC
PRIOR ENROLLMENT	84	1	75	8	SC
	100.0	1.2	89.3	9.5	RC
	17.5	2.3	17.6	80.0	CC
	17.5	0.2	15.6	1.7	MC

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TABLE 2.3 (continued)

DISTRIBUTION OF CONFIRMED STUDENT ELIGIBILITY REPORT DISCREPANCIES BY APPLICATION YEAR (INSTITUTION REFERRAL)

CONFIRMED DISCREPANCY TYPE	TOTAL	APPLICATION YEAR 1976-77	1975-76	OTHER	
CITIZENSHIP	10	2	8		SC
	100.0	20.0	80.0		RC
	2.1	4.5	1.9		CC
	2.1	0.4	1.7		MC
DEPENDENCY STATUS	14		14		SC
	100.0		100.0		RC
	2.9		3.3		CC
	2.9		2.9		MC
ASSETS MISREPORTED	16	3	13		SC
	100.0	18.8	81.3		RC
	3.3	6.8	3.0		CC
	3.3	0.6	2.7		MC
UNUSUAL EXPENSES MISREPORTED	4	1	3		SC
	100.0	25.0	75.0		RC
	0.8	2.3	0.7		CC
	0.8	0.2	0.6		MC
APPLICANT SAVINGS MISREPORTED	2	2			SC
	100.0	100.0			RC
	0.4	4.5			CC
	0.4	0.4			MC
OTHER	6	1	5		SC
	100.0	16.7	83.3		RC
	1.2	2.3	1.2		CC
	1.2	0.2	1.0		MC
UNKNOWN					
NONE					

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TABLE 2.4

DISTRIBUTION OF INDEPENDENT AND DEPENDENT APPLICANTS BY CONFIRMED DISCREPANCY TYPE, BY APPLICATION YEAR (INSTITUTION REFERRAL)

CONFIRMED DISCREPANCY TYPE	TOTAL	TOTAL 1976-77	TOTAL 1975-76	TOTAL OTHER	INDEPENDENT STUDENTS 1976-77	INDEPENDENT STUDENTS 1975-76	INDEPENDENT STUDENTS OTHER	DEPENDENT STUDENTS 1976-77	DEPENDENT STUDENTS 1975-76	DEPENDENT STUDENTS OTHER	
TOTAL	481	44	427	10	11	93	3	33	334	7	SC
	100.0	9.1	88.8	2.1	2.3	19.3	0.6	6.9	69.4	1.5	RC
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	CC
	100.0	9.1	88.8	2.1	2.3	19.3	0.6	6.9	69.4	1.5	MC
ADJUSTED GROSS INCOME	137	17	119	1	4	14		13	105	1	SC
	100.0	12.4	86.9	0.7	2.9	10.2		9.5	76.6	0.7	RC
	28.5	38.6	27.9	10.0	36.4	15.1		39.4	31.4	14.3	CC
	28.5	3.5	24.7	0.2	0.8	2.9		2.7	21.8	0.2	MC
TAXES PAID	64	7	57			6		7	51		SC
	100.0	10.9	89.1			9.4		10.9	79.7		RC
	13.3	15.9	13.3			6.5		21.2	15.3		CC
	13.3	1.5	11.9			1.2		1.5	10.6		MC
OTHER INCOME	92	7	84	1	2	8		5	76	1	SC
	100.0	7.6	91.3	1.1	2.2	8.7		5.4	82.6	1.1	RC
	19.1	15.9	19.7	10.0	18.2	8.6		15.2	22.8	14.3	CC
	19.1	1.5	17.5	0.2	0.4	1.7		1.0	15.8	0.2	MC
HOUSEHOLD SIZE	13	2	11		1	3		1	8		SC
	100.0	15.4	84.6		7.7	23.1		7.7	61.5		RC
	2.7	4.5	2.6		9.1	3.2		3.0	2.4		CC
	2.7	0.4	2.3		0.2	0.6		0.2	1.7		MC
NUMBER IN POST-HIGH SCHOOL	39	1	38		1	4			34		SC
	100.0	2.6	97.4		2.6	10.3			87.2		RC
	8.1	2.3	8.9		9.1	4.3			10.2		CC
	8.1	0.2	7.9		0.2	0.8			7.1		MC
ASSETS/EXPENSES	22	6	16		1	1		5	15		SC
	100.0	27.3	72.7		4.5	4.5		22.7	68.2		RC
	4.6	13.6	3.7		9.1	1.1		15.2	4.5		CC
	4.6	1.2	3.3		0.2	0.2		1.0	3.1		MC
DEPENDENCY STATUS	14		14			6			8		SC
	100.0		100.0			42.9			57.1		RC
	2.9		3.3			6.5			2.4		CC
	2.9		2.9			1.2			1.7		MC
PRIOR ENROLLMENT	64	1	75	8	1	45	3		30	5	SC
	100.0	1.2	89.3	9.5	1.2	53.6	3.6		35.7	6.0	RC
	17.5	2.3	17.6	80.0	9.1	48.4	100.0		9.0	71.4	CC
	17.5	0.2	15.6	1.7	0.2	9.4	0.6		6.2	1.0	MC
OTHER	16	3	13		1	6		2	7		SC
	100.0	18.8	81.3		6.3	37.5		12.5	43.8		RC
	3.3	6.8	3.0		9.1	6.5		6.1	2.1		CC
	3.3	0.6	2.7		0.2	1.2		0.4	1.5		MC

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TABLE 2.4 (continued)

DISTRIBUTION OF INDEPENDENT AND DEPENDENT APPLICANTS BY CONFIRMED DISCREPANCY TYPE, BY APPLICATION YEAR (INSTITUTION REFERRAL)

CONFIRMED DISCREPANCY TYPE	TOTAL	TOTAL			INDEPENDENT STUDENTS			DEPENDENT STUDENTS		
		1976-77	1975-76	OTHER	1976-77	1975-76	OTHER	1976-77	1975-76	OTHER
NONE										
UNKNOWN										

2.25

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In addition to dependency status, another variable which was hypothesized a priori to be associated with confirmed discrepancies was income level. This hypothesis was based on prior validation experience indicating that reported income and tax errors were among the most numerous of SER discrepancies uncovered. Data pertaining to the association of income level to confirmed discrepancy type is presented in Table 2.5. Because so many low income applicants were included among institution referrals, it is not surprising that the majority (51.4%) of all confirmed SER discrepancies involved applicants with a reported adjusted gross income of less than $4,000 per year. However, while only 17.0 percent of confirmed discrepancies involved applicants reporting over $12,000 per year, this group was responsible for 49.5 percent of all adjusted gross income errors. Conversely, while low income applicants accounted for 51.4 percent of all confirmed errors, this group accounted for over 77 percent of confirmed non-taxable income errors. This finding is consistent with the results of the 1975-76 validation effort which revealed the same distribution of adjusted gross income and non-taxable income discrepancies as a function of reported income level.

Table 2.5 also indicates that high income applicants (those reporting incomes of more than $12,000 per year) contributed a relatively large number of cases with confirmed multiple errors. Almost 30 percent of these cases were in the high income group, whereas this group overall accounted for only 17.0 percent of all confirmed discrepancies.

Impact of Validation Process on Student Eligibility Indices

Previous sections of this chapter have focused on the reasons for institution referrals, the prevalence of confirmed SER errors and applicant characteristics associated with SER errors. It will be recalled, though, that upon confirmation of SER errors, the validation contractor undertook procedures to have these errors corrected. As these corrections were processed, changes occurred in applicants' Student Eligibility Indices usually resulting in reduced Basic Grant awards. Student Eligibility Report corrections

TABLE 2.5

DISTRIBUTION OF CONFIRMED STUDENT ELIGIBILITY REPORT DISCREPANCIES BY INCOME LEVEL - ALL YEARS (INSTITUTION REFERRAL)

CONFIRMED DISCREPANCY TYPE	TOTAL	INCOME LEVEL: LESS THAN 4,000	4,000-6,999	7,000-9,999	10,000-12,000	MORE THAN 12,000	
TOTAL	528	271	87	49	31	90	SC
	100.0	51.3	16.5	9.3	5.9	17.0	RC
	100.0	100.0	100.0	100.0	100.0	100.0	CC
	100.0	51.3	16.5	9.3	5.9	17.0	MC
ADJUSTED GROSS INCOME	93	15	16	7	9	46	SC
	100.0	16.1	17.2	7.5	9.7	49.5	RC
	17.6	5.5	18.4	14.3	29.0	51.1	CC
	17.6	2.8	3.0	1.3	1.7	8.7	MC
TAXES PAID	4		1	2		1	SC
	100.0		25.0	50.0		25.0	RC
	0.8		1.1	4.1		1.1	CC
	0.8		0.2	0.4		0.2	MC
OTHER INCOME	58	45	4	7	1	1	SC
	100.0	77.6	6.9	12.1	1.7	1.7	RC
	11.0	16.6	4.6	14.3	3.2	1.1	CC
	11.0	8.5	0.8	1.3	0.2	0.2	MC
HOUSEHOLD SIZE/NUMBER IN POST HIGH SCHOOL	20	5	2	6	3	4	SC
	100.0	25.0	10.0	30.0	15.0	20.0	RC
	3.8	1.8	2.3	12.2	9.7	4.4	CC
	3.8	0.9	0.4	1.1	0.6	0.8	MC
ASSETS/EXPENSES	4	1		1	1	1	SC
	100.0	25.0		25.0	25.0	25.0	RC
	0.8	0.4		2.0	3.2	1.1	CC
	0.8	0.2		0.2	0.2	0.2	MC
DEPENDENCY STATUS	3	2	1				SC
	100.0	66.7	33.3				RC
	0.6	0.7	1.1				CC
	0.6	0.4	0.2				MC
PRIOR ENROLLMENT	84	55	17	5	3	4	SC
	100.0	65.5	20.2	6.0	3.6	4.8	RC
	15.9	20.3	19.5	10.2	9.7	4.4	CC
	15.9	10.4	3.2	0.9	0.6	0.8	MC
OTHER	13	9		3		1	SC
	100.0	69.2		23.1		7.7	RC
	2.5	3.3		6.1		1.1	CC
	2.5	1.7		0.6		0.2	MC

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TABLE 2.5 (continued)

DISTRIBUTION OF CONFIRMED STUDENT ELIGIBILITY REPORT DISCREPANCIES BY INCOME LEVEL - ALL YEARS (INSTITUTION REFERRAL)

CONFIRMED DISCREPANCY TYPE	TOTAL	INCOME LEVEL: LESS THAN 4,000	4,000-6,999	7,000-9,999	10,000-12,000	NONE THAN 12,000	
MULTIPLE	57	21	11	4	4	17	SC
	100.0	36.8	19.3	7.0	7.0	29.8	RC
	10.6	7.7	12.6	8.2	12.9	18.9	CC
	10.6	4.0	2.1	0.8	0.8	3.2	MC
NONE	60	27	17	6	4	6	SC
	100.0	45.0	28.3	10.0	6.7	10.0	RC
	11.4	10.0	19.5	12.2	12.9	6.7	CC
	11.4	5.1	3.2	1.1	0.8	1.1	MC
UNKNOWN	132	91	18	8	6	9	SC
	100.0	68.9	13.6	6.1	4.5	6.8	RC
	25.0	33.6	20.7	16.3	19.4	10.0	CC
	25.0	17.2	3.4	1.5	1.1	1.7	MC

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can therefore be viewed as the major goal of the validation effort, for these corrections represent direct monetary savings to the Basic Grant program.

Student Eligibility Report corrections were obtained from 310 applicants. Of these 310 corrections, 226 were processed in time for analysis in this report. The magnitude of SEI changes resulting from these corrections is presented in Table 2.6. Two figures are provided in Table 2.6 for each major column heading. The first set of figures reflect changes in SEIs as measured by the simple difference of the initial SEI subtracted from the new SEI ("absolute" difference). The second set of figures reflect changes in SEIs insofar as these changes would have an impact on the amount of an applicant's Basic Grant Award. Because an applicant is ineligible for a Basic Grant if his/her SEI is over 1,200 points, the so-called "effective" SEI changes limited the maximum value of an SEI to 1,200 before computing difference between the new and initial SEI results. The results of this procedure allow a better interpretation of the monetary savings which actually accrued to the Basic Grant program as a result of the validation effort. For example, corrected SERs from institution referrals saved the Basic Grant program 110,986 SEI "points." However, only 71,778 of these SEI points had any monetary consequence.

With this explanation of Table 2.6 in mind, the average "absolute" SEI change for cases processed during the current validation effort was 491.1 points (an average decrease in Basic Grant eligibility). This is compared to an average absolute change of 825 points for the 1975-76 validation effort. The reason for the sharp decrease in average SEI changes is, in large part, a function of the fact that several of the 1975-76 cases were prior enrollment errors, and SEI changes resulting from correction of these problems were extensive. Therefore, with prior enrollment errors comprising a smaller proportion of confirmed discrepancies in the 1976-77 validation project, the absolute average SEI change was expected to decrease. This decrease may also be attributed to an improved Basic Grant application form which reduced the likelihood of gross

TABLE 2.6

DISTRIBUTION OF STUDENT ELIGIBILITY INDEX (SEI) CHANGES RESULTING FROM CORRECTED STUDENT ELIGIBILITY REPORTS, BY APPLICATION YEAR (INSTITUTION REFERRAL)

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CHANGE IN SEI	TOTAL ABSOLUTE	TOTAL EFFECTIVE	1976-77 ABSOLUTE	1976-77 EFFECTIVE	1975-76 ABSOLUTE	1975-76 EFFECTIVE	OTHER ABSOLUTE	OTHER EFFECTIVE	
TOTAL	226	226	20	20	200	200	6	6	SC
	110,988	71,778	17,264	7,290	90,012	60,163	3,710	4,325	SV
	491.1	317.6	863.2	364.5	450.1	300.8	618.3	720.8	MN
MORE THAN +600	66	64	8	8	54	54	4	4	SC
	101,359	62,334	16,445	6,537	80,805	51,692	4,109	4,105	SV
	1535.7	944.5	2055.6	817.1	1496.4	957.3	1027.3	1026.3	MN
+501 - +600	3	3			3	3			SC
	1,614	1,195			1,614	1,195			SV
	538.0	398.3			538.0	398.3			MN
+401 - +500	3	3	1	1	2	2			SC
	1,340	1,134	420	420	920	714			SV
	446.7	378.0	420.0	420.0	460.0	357.0			MN
+301 - +400	12	12	3	3	9	9			SC
	4,223	4,156	1,151	1,085	3,072	3,071			SV
	351.9	346.3	383.7	361.7	341.3	341.2			MN
+201 - +300	12	12			11	11	1	1	SC
	2,942	2,939			2,722	2,719	220	220	SV
	245.2	244.9			247.5	247.2	220.0	220.0	MN
+101 - +200	10	10	1	1	9	9			SC
	1,695	1,589	164	164	1,531	1,425			SV
	169.5	158.9	164.0	164.0	170.1	158.3			MN
+1 - +100	3	3			3	3			SC
	67	66			67	66			SV
	22.3	22.0			22.3	22.0			MN
0	107	107	4	4	103	103			SC
									SV
									MN
-1 - -100	4	4	1	1	3	3			SC
	170	170	51	51	119	119			SV
	42.5	42.5	51.0	51.0	39.7	39.7			MN
-101 - -200	2	2			2	2			SC
	366	366			366	366			SV
	183.0	183.0			183.0	183.0			MN
-201 - -300	2	2	1	1	1	1			SC
	493	493	259	259	234	234			SV
	246.5	246.5	259.0	259.0	234.0	234.0			MN

DISTRIBUTION OF STUDENT ELIGIBILITY INDEX (SEI) CHANGES RESULTING FROM CORRECTED STUDENT ELIGIBILITY REPORTS, BY APPLICATION YEAR (INSTITUTION REFERRAL)

CHANGE IN SEI	TOTAL ABSOLUTE	TOTAL EFFECTIVE	1976-77 ABSOLUTE	1976-77 EFFECTIVE	1975-76 ABSOLUTE	1975-76 EFFECTIVE	OTHER ABSOLUTE	OTHER EFFECTIVE	
-301 - -400									
-401 - -500									
-501 - -600									
LESS THAN -600	2	2	1	1			1	1	SC
	1,223	606	606	606			619		SV
	612.5	303.0	606.0	606.0			619.0		MN

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misunderstandings of Basic Grant data requirements. In the 1975-76 validation effort, such misunderstandings often, unfortunately, resulted in large SER errors.

Table 2.6 also indicates that of the 226 SER corrections processed, 66, or 29.2 percent, incurred changes of more than 600 points. These 66 cases had an average absolute SEI change of over 1,500 points and an effective SEI change of an impressive 944.5 points. More than 100 cases submitted corrections which resulted in no SEI changes and 10 submitted corrections which actually increased their Basic Grant eligibility. The following text table compares these statistics with those from cases processed during the 1975-76 validation effort.

Comparison of SEI Change Range Distributions
Between 1975-76 and 1976-77 Validation Studies

SEI Change Range	1975-76	1976-77
More than 600 points	40.2%	29.2%
1 - 600 points	19.5%	19.0%
No change	35.4%	47.4%
-1 - over -600 points	4.9%	4.4%
	100.0%	100.0%

In terms of SEI changes resulting from corrections to specific SER data fields, Table 2.7 reveals that prior enrollment errors evidenced the largest average effective SEI changes (659.5 points). This category was followed by multiple discrepancy and adjusted gross income cases with effective average changes of 291.9 points and 254.2 points, respectively.[1/]

2.4.3: Institution Statistics

In conducting the Institution Referral Study, data were obtained concerning the distribution of key SER discrepancies by institutional variables such as school control and school size. These variables were of particular interest since the amount of institution participation regulated the number of cases which were

1/ The "other" discrepancy category exhibited an average effective SEI change of 1020.7 points, but because this figure was based on 7 cases, the stability of this average is suspect.

TABLE 2.7

AVERAGE STUDENT ELIGIBILITY INDEX (SEI) CHANGE BY CONFIRMED DISCREPANCY TYPE, BY APPLICATION YEAR (INSTITUTION REFERRAL)

AVERAGE SEI CHANGE

CONFIRMED DISCREPANCY TYPE	TOTAL ABSOLUTE	TOTAL EFFECTIVE	1976-77 ABSOLUTE	1976-77 EFFECTIVE	1975-76 ABSOLUTE	1975-76 EFFECTIVE	OTHER ABSOLUTE	OTHER EFFECTIVE	
TOTAL	226	226	20	20	200	200	6	6	SC
	110,906	71,778	17,264	7,290	90,012	60,163	3,710	4,325	SV
	491.1	317.6	863.2	364.5	450.1	300.8	618.3	720.8	MN
ADJUSTED GROSS INCOME	68	68	8	8	60	60			SC
	38,425	17,288	8,843	3,303	29,582	13,985			SV
	565.1	254.2	1105.4	412.9	493.0	233.1			MN
TAXES PAID	3	3			3	3			SC
	234	234			234	234			SV
	78.0	78.0			78.0	78.0			MN
OTHER INCOME	42	42	3	3	39	39			SC
	2,366	1,465	310	310	2,676	1,775			SV
	56.3	34.9	103.3	103.3	68.6	45.5			MN
HOUSEHOLD SIZE/NUMBER IN POST HIGH SCHOOL	13	13			13	13			SC
	1,817	1,462			1,817	1,462			SV
	139.8	112.5			139.8	112.5			MN
ASSETS/EXPENSES	3	3	1	1	2	2			SC
	2,047	531	1,500	99	547	432			SV
	682.3	177.0	1500.0	99.0	273.5	216.0			MN
DEPENDENCY STATUS	1	1			1	1			SC
	1,510	495			1,510	495			SV
	1510.0	495.0			1510.0	495.0			MN
PRIOR ENROLLMENT	48	48	1	1	41	41	6	6	SC
	32,202	31,657	1,201	1,200	27,291	26,132	3,710	4,325	SV
	670.9	659.5	1201.0	1200.0	665.6	637.4	618.3	720.8	MN
OTHER	7	7			7	7			SC
	7,151	7,145			7,151	7,145			SV
	1021.6	1020.7			1021.6	1020.7			MN
MULTIPLE	41	41	7	7	34	34			SC
	25,702	11,969	6,030	2,998	19,672	8,971			SV
	626.9	291.9	861.4	428.3	578.6	263.9			MN
NONE									
UNKNOWN									

2.53

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TABLE 2.8

DISTRIBUTION OF REPORTED STUDENT ELIGIBILITY REPORT DISCREPANCIES BY TYPE OF INSTITUTION CONTROL - ALL YEARS (INSTITUTION REFERRAL)

REPORTED DISCREPANCY TYPE	INSTITUTION CONTROL					
	TOTAL	PUBLIC	PRIVATE NON-PROFIT	PRIVATE PROPRIETARY	OTHER-UNKNOWN	
TOTAL	528	465	44	14	5	SC
	100.0	88.1	8.3	2.7	0.9	RC
	100.0	100.0	100.0	100.0	100.0	CC
	100.0	88.1	8.3	2.7	0.9	MC
ADJUSTED GROSS INCOME	209	194	13	2		SC
	100.0	92.8	6.2	1.0		RC
	39.6	41.7	29.5	14.3		CC
	39.6	36.7	2.5	0.4		MC
TAXES PAID	5	5				SC
	100.0	100.0				RC
	0.9	1.1				CC
	0.9	0.9				MC
OTHER INCOME	40	30	3	7		SC
	100.0	75.0	7.5	17.5		RC
	7.6	6.5	6.8	50.0		CC
	7.6	5.7	0.6	1.3		MC
HOUSEHOLD SIZE/NUMBER IN POST-HIGH SCHOOL	16	16				SC
	100.0	100.0				RC
	3.0	3.4				CC
	3.0	3.0				MC
ASSETS/EXPENSES	2	2				SC
	100.0	100.0				RC
	0.4	0.4				CC
	0.4	0.4				MC
DEPENDENCY STATUS	40	36	1	3		SC
	100.0	90.0	2.5	7.5		RC
	7.6	7.7	2.3	21.4		CC
	7.6	6.8	0.2	0.6		MC
PRIOR ENROLLMENT	120	106	12	1	1	SC
	100.0	88.3	10.0	0.8	0.8	RC
	22.7	22.8	27.3	7.1	20.0	CC
	22.7	20.1	2.3	0.2	0.2	MC
OTHER	14	6	7	1		SC
	100.0	42.9	50.0	7.1		RC
	2.7	1.3	15.9	7.1		CC
	2.7	1.1	1.3	0.2		MC

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TABLE 2.8 (continued)

DISTRIBUTION OF REPORTED STUDENT ELIGIBILITY REPORT DISCREPANCIES BY TYPE OF INSTITUTION CONTROL - ALL YEARS (INSTITUTION REFERRAL)

	INSTITUTION CONTROL					
REPORTED DISCREPANCY TYPE	TOTAL	PUBLIC	PRIVATE NON-PROFIT	PRIVATE PROPRIETARY	OTHER-UNKNOWN	
MULTIPLE	52	43	6		3	SC
	100.0	82.7	11.5		5.8	RC
	9.8	9.2	13.6		60.0	CC
	9.8	8.1	1.1		0.6	MC
ZERO/LOW INCOME	38	27	2		1	SC
	100.0	90.0	6.7		3.3	RC
	5.7	5.8	4.5		20.0	CC
	5.7	5.1	0.4		0.2	MC

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available for analysis of possible trends in misreporting, and is the critical factor in the success or failure of the Institution Referral Study. In addition, data are presented which identify the kinds of documentation financial aid officers used to support possible cases of Basic Grant misreporting. Data presented in this section are based upon tables containing reported cases which have been resolved.

Reported Discrepancies

Of the 528 referrals of cases involving discrepancies in applications from all academic years which were processed by the validation procedures, 465 of these were referred by public schools, 44 by private non-profit schools, 14 by private proprietary and 5 from schools for which the type of institutional control was unknown. It should be stressed that several intitutions reported more than one case; however, for purposes of this report each case was analyzed as if the referrals were received from 528 separate schools.

Table 2.8 presents the distribution of reported SER discrepancies by type of institutional control for all academic years. As was expected, the majority of referrals were received from public schools (88.1%). The most frequent discrepancy types reported by all categories of institutions were adjusted gross income errors (41.7%) and prior enrollment errors (22.8%). Discrepancies falling in these two categories are considered to be relatively easy to identify because documentation addressing these types of information are readily available to financial aid officers. The third most prevalent discrepancy referred by institutions involved multiple errors (9.2%).

In reviewing the frequency of errors occurring at institutions within the various types of institution control, several interesting observations were made. Private proprietary institutions reported non-taxable income errors at a much greater frequency (50.0% of total referrals) than did private, non-profit (6.8%) or public (6.5%). In contrast, public institutions reported adjusted gross income discrepancies at a higher rate (41.7% of total referrals)

than private non-profit schools (29.5%) or private proprietary schools (14.3%).

Table 2.9 summarizes the distribution of reported discrepancies for all academic years, by size of institution enrollments. The majority of referrals came from institutions with enrollments over 1,000. Specifically, 44.5 percent were received from schools with moderately large enrollments (1,000 - 5,000) and 44.9 percent were received from schools with enrollments of 5,000 or more. Adjusted gross income errors were the most frequent referral from institutions with moderate enrollments (63.8%) whereas discrepancies reported from larger institutions were distributed evenly across all discrepancy types.

Supporting Documentation

The types of documentation which financial aid officers used to support allegations of SER discrepancies were of particular interest to the Office of Education, since institutions were encouraged to report all cases, not only when documentation existed on file in the financial aid office, but also if the school had reason to believe that the information reported was questionable. As in the analysis of the distribution of SER discrepancies, two key variables were studied in relation to type of documentation supplied, i.e., institution size and institution control.

Institutional Size

The data presented in this section were derived from Table 2.10 which presents the types of documentation used to support case referrals by the institution size.

A total of 550 different sources of information were supplied to support the referral of 528 cases. There were more information sources than cases, because, in some instances, institutions reported more than one type of supporting documentation. The

TABLE 2.9

ISTRIBUTION OF REPORTED STUDENT ELIGIBILITY REPORT DISCREPANCIES BY INSTITUTION SIZE - ALL YEARS (INSTITUTION REFERRAL)

EPORTED DISCREPANCY TYPE	TOTAL	INSTITUTION SIZE: LESS THAN 1,000	1,000-5,000	MORE THAN 5,000	OTHER-UNKNOWN	
OTAL	528	44	235	237	12	SC
	100.0	8.3	44.5	44.9	2.3	RC
	100.0	100.0	100.0	100.0	100.0	CC
	100.0	8.3	44.5	44.9	2.3	MC
DJUSTED GROSS INCOME	209	6	150	51	2	SC
	100.0	2.9	71.8	24.4	1.0	RC
	39.6	13.6	63.8	21.5	16.7	CC
	39.6	1.1	28.4	9.7	0.4	MC
AXES PAID	5			3	2	SC
	100.0			60.0	40.0	RC
	0.9			1.3	16.7	CC
	0.9			0.6	0.4	MC
THER INCOME	40	9	3	28		SC
	100.0	22.5	7.5	70.0		RC
	7.6	20.5	1.3	11.8		CC
	7.6	1.7	0.6	5.3		MC
OUSEHOLD SIZE/NUMBER N POST-HIGH SCHOOL	16		2	14		SC
	100.0		12.5	87.5		RC
	3.0		0.9	5.9		CC
	3.0		0.4	2.7		MC
SSETS/EXPENSES	2		1	1		SC
	100.0		50.0	50.0		RC
	0.4		0.4	0.4		CC
	0.4		0.2	0.2		MC
EPENDENCY STATUS	40	5	11	23	1	SC
	100.0	12.5	27.5	57.5	2.5	RC
	7.6	11.4	4.7	9.7	8.3	CC
	7.6	0.9	2.1	4.4	0.2	MC
IGH ENROLLMENT	120	14	40	63	3	SC
	100.0	11.7	33.3	52.5	2.5	RC
	22.7	31.8	17.0	26.6	25.0	CC
	22.7	2.7	7.6	11.9	0.6	MC
THER	14	4	5	5		SC
	100.0	28.6	35.7	35.7		RC
	2.7	9.1	2.1	2.1		CC
	2.7	0.8	0.9	0.9		MC

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TABLE 2.9 (continued)

DISTRIBUTION OF REPORTED STUDENT ELIGIBILITY REPORT DISCREPANCIES BY INSTITUTION SIZE - ALL YEARS (INSTITUTION REFERRAL)

REPORTED DISCREPANCY TYPE		INSTITUTION SIZE				
	TOTAL	LESS THAN 1,000	1,000-5,000	MORE THAN 5,000	OTHER-UNKNOWN	
MULTIPLE	52	3	8	38	3	SC
	100.0	5.8	15.4	73.1	5.8	RC
	8.8	6.8	3.4	16.0	25.0	CC
	8.8	0.6	1.3	7.2	0.6	HC
ZERO/LOW INCOME	30	3	13	11	1	SC
	100.0	10.0	50.0	36.7	3.3	RC
	5.1	6.8	6.4	4.6	8.3	CC
	5.1	0.6	2.8	2.1	0.2	HC

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TABLE 2.10

TYPES OF DOCUMENTATION USED TO SUPPORT CASE REFERRALS, BY INSTITUTION SIZE - ALL YEARS (INSTITUTION REFERRAL)

SUPPORT DOCUMENTATION TYPE	TOTAL	INSTITUTION SIZE: LESS THAN 1,000	1,000-5,000	MORE THAN 5,000	OTHER-UNKNOWN	
TOTAL	550	45	238	255	12	SC
	100.0	8.2	43.3	46.4	2.2	RC
	100.0	100.0	100.0	100.0	100.0	CC
	100.0	8.2	43.3	46.4	2.2	MC
ETS PARENTS CONFIDENTIAL STATEMENT	76	2	13	59	2	SC
	100.0	2.6	17.1	77.6	2.6	RC
	13.8	4.4	5.5	23.1	16.7	CC
	13.8	0.4	2.4	10.7	0.4	MC
ACT FINANCIAL NEED STATEMENT	98	1	92	5		SC
	100.0	1.0	93.9	5.1		RC
	17.8	2.2	38.7	2.0		CC
	17.8	0.2	16.7	0.9		MC
FEDERAL TAA FORM	54	2	12	40		SC
	100.0	3.7	22.2	74.1		RC
	9.8	4.4	5.0	15.7		CC
	9.8	0.4	2.2	7.3		MC
STATE TAA FORM	3		1	2		SC
	100.0		33.3	66.7		RC
	0.5		0.4	0.8		CC
	0.5		0.2	0.4		MC
AFFIDAVIT OF NONSUPPORT	2		1	1		SC
	100.0		50.0	50.0		RC
	0.4		0.4	0.4		CC
	0.4		0.2	0.2		MC
SCHOOL'S OWN NEEDS ANALYSIS FORM	11		7	4		SC
	100.0		63.6	36.4		RC
	2.0		2.9	1.6		CC
	2.0		1.3	0.7		MC
TRANSCRIPT	62	5	20	36	1	SC
	100.0	8.1	32.3	58.1	1.6	RC
	11.3	11.1	8.4	14.1	8.3	CC
	11.3	0.9	3.6	6.5	0.2	MC
ZERO INCOME - NO DOCUMENTATION	8		3	5		SC
	100.0		37.5	62.5		RC
	1.5		1.3	2.0		CC
	1.5		0.5	0.9		MC

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TYPES OF DOCUMENTATION USED TO SUPPORT CASE REFERRALS, BY INSTITUTION SIZE - ALL YEARS (INSTITUTION REFERRAL)

SUPPORT DOCUMENTATION TYPE	TOTAL	INSTITUTION SIZE: LESS THAN 1,000	1,000-5,000	MORE THAN 5,000	OTHER-UNKNOWN	
VETERANS BENEFITS STATEMENT	4	2	1	1		SC
	100.0	50.0	25.0	25.0		RC
	0.7	4.4	0.4	0.4		CC
	0.7	0.4	0.2	0.2		MC
SOCIAL SECURITY BENEFITS STATEMENT	1			1		SC
	100.0			100.0		RC
	0.2			0.4		CC
	0.2			0.2		MC
STUDENT VISA	6	2	2	2		SC
	100.0	33.3	33.3	33.3		RC
	1.1	4.4	0.8	0.8		CC
	1.1	0.4	0.4	0.4		MC
OTHER	180	23	70	80	7	SC
	100.0	12.8	38.9	44.4	3.9	RC
	32.7	51.1	29.4	31.4	58.3	CC
	32.7	4.2	12.7	14.5	1.3	MC
NONE	45	8	16	19	2	SC
	100.0	17.8	35.6	42.2	4.4	RC
	8.2	17.8	6.7	7.5	10.7	CC
	8.2	1.5	2.9	3.5	0.4	MC

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most outstanding finding shown in this table was that 32.7 percent of the institutions (180 of 550) referred cases based on some type of informal documentation, such as references to conversations with student. It should be further noted that of the 45 cases referred by institutions with an enrollment of less than 1,000, 23 (51.1%) were referred based upon an informal type of documentation. The high frequency of cases referred based on informal documentation is directly attributable to the fact that institutions were encouraged to report suspected cases of error. This procedure was in contrast to the necessary conditions for determining whether a reported case was valid for follow-up implemented in the 1975-76 validation. In the 1975-76 effort, formal documentation was necessary before follow-up procedures were initiated (except in cases of zero or low income). Since this restriction resulted in the follow-up of only a portion of the referrals from institutions, the Office of Education decided that all referrals received in the 1976-77 validation study should be followed up if the information supplied by the school indicated a possibility of error.[1/]

Although the conditions for referring cases to the Office of Education for follow-up were changed to provide schools a means of reporting a greater variety of cases, there did not appear to be a marked change in the number of referrals; i.e., the overall rate of response from institutions did not increase as a result of changing the referral procedures. In fact, as indicated previously, the actual number of referrals decreased in 1976-77 relative to 1975-76. Table 2.10 shows that the most common type of formal documentation provided by the total number of institutions was the American College Testing Program's Financial Need Statement (17.8% of all documents supplied, or 98 of 550 documents), followed

1/ Even though this procedure was allowed, institutions were requested to provide documentation to support the allegation, if at all possible.

by the Educational Testing Service's Parents Confidential Statement (13.8%, or 76 of 550 documents). These two forms are similar in content, i.e., they both contain data items comparable to the Basic Grant application. Institutions with a mid-sized enrollment (1,000 - 5,000) used the ACT Financial Needs Statement in 38.7 percent of the cases, whereas large-sized institutions only used this form in 2.0 percent of their referrals. Conversely, large-sized institutions primarily referred cases utilizing the Parents Confidential Statement (23.1%) in comparison to mid-sized institution's usage of this form (5.5%).

The results presented in Table 2.10 indicate that of the 98 ACT Financial Need Statements provided by institutions, 92 (93.9%) were provided by institutions at the mid-size enrollment level (1,000 - 5,000 students). In contrast, the ETS Parents Confidential Statement was provided by 59 of the 76 institutions (77.6%), with large enrollments (more than 5,000 students).

In contrast to the results obtained in last year's validation effort, in which a high school or postsecondary school transcript was the most frequent form of documentation supplied by referring institutions, only 11.5% of the documents provided in this year's validation consisted of a transcript. This finding reflects the fact that the prior enrollment restriction placed on all applicants in previous years was no longer implemented for the 1976-77 academic year. These documents were provided only in 1975-76 carryover cases and earlier year referrals.

The text table, which follows, compares the distribution of various types of documentation used to refer cases in the 1976-77 validation with the previous year's documentation statistics. This comparison clearly indicates that the overall number of referrals based on formal documentation has declined in the 1976-77 validation study whereas, informal documentation is being used more frequently by financial aid officers.

COMPARISON OF DISTRIBUTION OF DOCUMENTATION BETWEEN 1975-76 AND 1976-77 VALIDATION STUDIES

Documentation	1975-76	1976-77
	%	%
Total	100.0	100.0
PCS	14.1	13.8
ACT	-	17.8
Federal Tax Form	12.1	9.8
State Tax Form	-	.5
Transcript	26.2	11.3
School's Own Analysis Form	8.7	2.0
Other Formal Documentation	17.4	2.4
No Formal Documentation	21.4	9.7
Other Informal Documentation		32.7

Although it has already been established that the high frequency of cases referred based on informal documentation is related to the changes instituted for accepting referrals from institutions, this trend also indicates that financial aid officers are concerned about program abuse, since they are using a variety of means to refer cases other than financial documents which are usually maintained in the students' financial aid file.

Institutional Control

Table 2.11 presents the types of documentation used to support case referrals by institutional control for all academic years.

Relative to the number of referrals made within each type of institutional control, informal documentation was provided most often by private proprietary institutions (57.1%) and private non-profit institutions (51.1%). Public schools utilized the same informal documentation in 30.2 percent of the cases referred for validation. The higher rate at which private non-profit institutions use informal documentation may suggest that formal documents are less easy for these schools to assess.

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TABLE 2.11

TYPES OF DOCUMENTATION USED TO SUPPORT CASE REFERRALS, BY INSTITUTION CONTROL - ALL YEARS (INSTITUTION REFERRAL)

SUPPORT DOCUMENTATION TYPE	INSTITUTION CONTROL					
	TOTAL	PUBLIC	PRIVATE NON-PROFIT	PRIVATE PROPRIETARY	OTHER-UNKNOWN	
TOTAL	550	486	45	14	5	SC
	100.0	88.4	8.2	2.5	0.9	RC
	100.0	100.0	100.0	100.0	100.0	CC
	100.0	88.4	8.2	2.5	0.9	MC
BIS PARENTS CONFIDENTIAL STATEMENT	80	71	3	1	1	SC
	100.0	93.4	3.9	1.3	1.3	RC
	13.8	14.6	6.7	7.1	20.0	CC
	13.8	12.9	0.5	0.2	0.2	MC
ACT FINANCIAL NEED STATEMENT	98	96	1	1		SC
	100.0	98.0	1.0	1.0		RC
	17.8	19.8	2.2	7.1		CC
	17.8	17.5	0.2	0.2		MC
FEDERAL TAX FORM	54	50	4			SC
	100.0	92.6	7.4			RC
	9.8	10.3	8.9			CC
	9.8	9.1	0.7			MC
STATE TAX FORM	3	3				SC
	100.0	100.0				RC
	0.5	0.6				CC
	0.5	0.5				MC
AFFIDAVIT OF NON-SUPPORT	2	2				SC
	100.0	100.0				RC
	0.4	0.4				CC
	0.4	0.4				MC
SCHOOL'S OWN NEEDS ANALYSIS FORM	11	11				SC
	100.0	100.0				RC
	2.0	2.3				CC
	2.0	2.0				MC
TRANSCRIPT	62	57	5			SC
	100.0	91.9	8.1			RC
	11.3	11.7	11.1			CC
	11.3	10.4	0.9			MC
ZERO INCOME - NO DOCUMENTATION	8	8				SC
	100.0	100.0				RC
	1.5	1.6				CC
	1.5	1.5				MC

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TABLE 2.11 (continued)

TYPES OF DOCUMENTATION USED TO SUPPORT CASE REFERRALS, BY INSTITUTION CONTROL - ALL YEARS (INSTITUTION REFERRAL)

	INSTITUTION CONTROL					
SUPPORT DOCUMENTATION TYPE	TOTAL	PUBLIC	PRIVATE NON-PROFIT	PRIVATE PROPRIETARY	OTHER-UNKNOWN	
VETERANS BENEFITS STATEMENT	4	2		2		SC
	100.0	50.0		50.0		RC
	0.7	0.4		14.3		CC
	0.7	0.4		0.4		MC
SOCIAL SECURITY BENEFITS STATEMENT	1	1				SC
	100.0	100.0				RC
	0.2	0.2				CC
	0.2	0.2				MC
STUDENT VISA	6	3	2	1		SC
	100.0	50.0	33.3	16.7		RC
	1.1	0.6	6.9	7.1		CC
	1.1	0.7	0.9	0.2		MC
OTHER	110	107	23	8	2	SC
	100.0	81.7	12.9	6.9	1.1	RC
	20.7	30.2	31.1	57.1	40.0	CC
	20.7	20.1	4.2	1.5	0.4	MC
NONE	43	35	1	1	2	SC
	100.0	77.0	14.0	2.2	4.4	RC
	8.2	7.2	14.0	7.1	40.0	CC
	8.2	6.9	1.3	0.2	0.4	MC

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It was found in Table 2.11 that public schools provided the ACT Financial Statement more frequently than schools under other types of institutional control (19.8% for public school versus 2.2% for private non-profit and 7.1% for private proprietary.)

However, the use of the Federal Income Tax form, although supplied by only 9.5% of the total number of participating schools, was used at almost the same rate by public and private non-profit schools (10.3 % and 8.9% respectively). This same occurrence was observed in the percent of transcripts provided by public (11.7%) and private non-profit schools (11.1%) in relation to the total number of transcripts provided. Due to the relatively few number of non-profit and proprietary institutions which participated in the validation, no conclusions can be drawn from these comparisons. However, the general trend found in this analysis appears to be that all types of institutions are reporting more cases based on informal documentation, but that public institutions utilize the PCS and ACT statements to a greater degree than private institutions.

2.5 CHAPTER SUMMARY

The Institution Referral Study was undertaken for the purpose of validating cases reported to the Office of Education by participating BEOG institutions, in which SER data conflicted with information on file at the school. Validation procedures were initiated for 876 referrals, of which 328 were resolved at the time of preparation of this report. Analysis of these cases resulted in the following observations:

- Institutional response to the request for case referrals was again lower than anticipated. One hundred fifty-nine institutions responded, of which the greatest participation was obtained from four-year institutions and community colleges.

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- Cases in which validation procedures were implemented mainly of adjusted gross income discrepancies (39.5%) and discrepancies pertaining to enrollment in postsecondary institutions prior to April, 1975 (22.7%). The remainder of the referrals were primarily discrepancies in dependency status, multiple discrepancies and nontaxable income. Discrepancies were confirmed in 55 percent of all reported cases with the greatest proportion of confirmed errors obtained in "other income" and household/postsecondary offset discrepancies.

- The majority of the cases (58.7%) were resolved due to the receipt of acceptable SER corrections. Among discrepancy types, zero low income, multiple discrepancy, dependency status and prior enrollment cases exhibited the highest rates of closure due to non-response.

- Dependent students accounted for 77.8 percent of the confirmed errors and exhibit a relatively greater proportion of confirmed errors compared to referred errors than did independent students.

- Low income applicants (less than $4,000 a year) accounted for 51.4 percent of all confirmed errors and taxable income. High income applicants (over $12,000 a year) exhibited the highest rate of misreporting adjusted gross income.

- The average SEI change for resolved cases was 491.1 points. Of those cases in which SEI changes exceeded 600 points (29.2%) the average change was 1,500 points.

- In terms of discrepancy type, prior enrollment errors exhibited the greatest "effective" SEI changes, i.e., changes that affect the amount of the student's Basic Grant award.

- Most referrals came from public schools, which reported a high proportion of adjusted gross income errors. Private proprietary institutions reported a relatively greater proportion of non-taxable income errors.

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3

INDIVIDUAL VALIDATION FINDINGS: PRE-ESTABLISHED CRITERIA STUDY

3.1: STUDY OVERVIEW

In a continued effort to validate a randomly selected number of Basic Grant applications, the Pre-established Criteria Study was again implemented for the 1976-77 academic year. Like the previous Pre-established Criteria Study, a sample of applications with highly unlikely data entries were selected randomly from the entire Basic Grant population for the purpose of examining the following:

- the degree of actual program abuse
- the characteristics of applicants falling in the selected categories
- the effectiveness of validation procedures in correcting erroneous applications

The Pre-established Criteria Study, like the Institution Referral Study, was continued to further examine the nature and scope of program abuse. However, the Pre-established Criteria Study differed from the Institution Referral Study in several ways. First, the Pre-established Criteria Study examined a pre-determined (and larger) volume of cases, thus allowing for a greater examination of trends in misreporting. Secondly, since the applications were selected randomly from a "high risk" population, according to specific criteria, a wide range of possible errors on applications was expected. In addition, this large scale study enabled the Office of Education to observe the trends in eligibility changes as a result of SER

corrections made in the critical items used to determine a student's eligibility status. The methodology used in the conduct of the Pre-established Criteria is described below.

3.2: VALIDATION METHODOLOGY

3.2.1: Selection of Pre-established Criteria

Preliminary to the implementation of the 1976-77 Pre-established Criteria Study, new sampling criteria were defined: These criteria focused on Basic Grant applications in which:

- taxes paid were inconsistent with reported income level (Criterion 1)
- SER corrections resulted in Student Eligibility Index changes greater than 250 points (Criterion 2)
- "assumed" Adjusted gross income was used to determine eligibility (Criterion 3)
- household size was not equal to reported tax exemptions (Criterion 4)
- four or more persons were reported in postsecondary schools (Criterion 5)

Exhibit B displays the number of persons selected on the basis of these criteria and combinations of these criteria. These new criteria were defined on the basis of results from various studies conducted during the 1975-76 validation effort. Most important of these reports for developing these new criteria was the 1975-76 Internal Revenue Service Sample Study (IRS Study). To conduct this study, Basic Grant application data were compared with Federal Income Tax forms. It was noted that applicants correctly reporting Federal income taxes, frequently misreported income. Therefore, a criterion was established to select cases in which reported taxes paid conflicted with the level of income reported. Also, both the IRS and the 1975-76 Pre-established Criteria study revealed that applicants submitting corrections to their original application data tended to be less accurate than those not submitting corrections. Another IRS study finding indicated that applicants whose Basic Grant adjusted gross incomes were "assumed" based on other application information were often incorrect.

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EXHIBIT B

DISTRIBUTION OF APPLICANTS SELECTED IN PRE-ESTABLISHED CRITERIA STUDY WITHIN SAMPLING CRITERIA

Criterion	No. of Applicants Selected
Total	6,005
1	285
4	302
5	448
1, 2	380
1, 3	117
1, 4	139
1, 5	121
2, 3	38
2, 4	124
2, 5	180
3, 4	92
3, 5	31
4, 5	59
1, 2, 3	151
1, 2, 4	353
1, 2, 5	145
1, 3, 4	375
1, 3, 5	117
1, 4, 5	522
2, 3, 4	176
2, 3, 5	67
2, 4, 5	248
3, 4, 5	170
1, 2, 3, 4 } 1, 3, 4, 5 }	664
1, 2, 3, 5 } 1, 2, 4, 5 } 2, 3, 4, 5 } 1, 2, 3, 4, 5 }	514
Four or more corrections, point change 500 or more	187

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Additionally, the IRS Study found that applicants reporting household sizes exceeding reported tax exemptions were also likely to be erroneous.

Finally, in the 1975-76 Individual Validation Study, many errors in reporting the number of family members attending postsecondary schools were discovered because applicants reported children attending all levels of schools.

Sampling Procedures

Once the selection criteria were determined, the Basic Grant processor produced rosters of eligible applicants meeting each criterion, from which the sample was drawn. Criterion categories were stratified into subgroups to increase the probability that validation efforts would be conducted on those applications most likely to contain erroneous information. Applicants were then drawn utilizing a skip interval appropriate for the sample sizes defined by the contractual scope of work. A total of 6,005 applications were selected for validation.

Validation Procedures

Validation procedures were initiated on September 30, 1976, at which time the initial requests were mailed to students selected from each of the criterion categories. This letter asked the applicant to provide the following items:

- a notarized copy of the applicant's (or applicant's parents') 1975 Federal Income Tax Return;
- a copy of the applicant's (or applicant's parents') 1975 W-2 statement(s);
- a statement of any non-taxable income received in 1975;
- a notarized letter stating the number of people in the household; and
- the name of the school the applicant attended

Included with the letter was a set of definitions to assist the applicant in responding. Exhibit C lists the definitions which were used.

EXHIBIT C

SET OF DEFINITIONS USED WITH
PREESTABLISHED CRITERIA INITIAL
CONTACT LETTER

1. Total Size of Parents' Household - includes the applicant, parent(s) and all other persons who were dependent on the parent(s) for more than half of their support at the time of the first 1976-77 Basic Grant application. This number must be reported in Box r of the Student Eligibility Report.

2. Number in Post-High School - includes the applicant and other persons in the parents' household who planned, at the time of the first application, to attend a college, trade or technical school, or other school beyond the high school level (on at least a half time basis) during the 1976-77 academic year. This number must be reported in Box s of the Student Eligibility Report. This number does not include household members who are attending elementary, junior high or senior high schools.

3. Non-Taxable Income - includes the total yearly income received in 1975 by (or for) all members of the parents' household from sources such as Social Security benefits, Welfare and other public/private assistance benefits, non-educational Veteran's benefits, child support payments. It also includes the total amount of Workmen's compensation, Unemployment compensation, and other income not subject to 1975 Federal Income Tax (for example, interest on tax-free bonds, untaxed portions of pensions, untaxed portions of capital gains, military subsistence and quarters allowances and untaxed earned income) received by the parent(s) during 1975. (Do not include any income which is reported as part of the 1975 adjusted gross income.) The total amount of 1975 non-taxable income must be reported in Box v of the Student Eligibility Report. Please note that income received for educational purposes (educational loans, scholarships, grants, work-study programs, etc.) should not be reported on the Student Eligibility Report.

4. Adjusted Gross Income - amount reported on line 15 of the 1975 Federal Income Tax form 1040 or line 12 of the Form 1040A. This amount must be reported in Box x of the Student Eligibility Report. If the applicant's parents are married but filed separate returns for 1975, the total of the appropriate lines should be entered on the Student Eligibility Report. If the applicant's parents were divorced or separated before the application was filed, the applicant must report the 1975 income of the parent who will provide more than half of the applicant's support.

5. Federal Income Tax Paid - amount reported on line 18 of the 1975 Federal Income Tax form 1040 or line 13 of Form 1040A. This is the amount of Federal Income Taxes paid, not the amount withheld. This amount must be reported in Box aa of the Student Eligibility Report.

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The initial contact letter was mailed at two different intervals in the study. On September 30, 1977 the letter was mailed to 65% of the sample applicants and on November 30, 1976, it was mailed to the remaining 35%. The purpose for mailing the first letter to students selected according to pre-established criteria (PEC) in two stages was twofold. First since the size of the sample was 0,005, it was felt that one large mailing would result in a concentration of responses being received at the period immediately after contact was established with the student, which would affect the expeditious processing of responses. Secondly, it was felt that the responses received from students contacted in the first mailing could be reviewed to assess the effectiveness of the initial contact letter in soliciting an acceptable response. Thus, improvements or additions could be made to the student letter and tested on the remaining sample of students.

A series of follow-up letters, similar to those used in the Institution Referral Study, were sent to nonrespondents. All applicants who failed to respond to the inital and follow-up letters were sent a final notification informing them that their Basic Grant had been suspended and that no further applications would be processed until a complete and accurate response was received.

Once a response was received, a thorough review was made of all documents provided to determine the acceptability of the response. All responses which contained complete documentation supporting SER data were considered acceptable, at which time the applicant (or applicant's parents) was sent a letter acknowledging the receipt of a satisfactory response. Responses which contained a corrected and signed SER with documents supporting the corrections were also considered acceptable. In these cases, the corrected SER was forwarded to the Basic Grant processor for reprocessing. At the same time the student (or parent) was sent a letter informing him/her of the acceptability of the correction. This letter also provided instructions for submitting the reprocessed SER to the financial aid office. In those cases where the name of the institution which the

student attended was known, a letter was mailed to the financial aid officer alerting him/her to expect a new SER and to make any adjustments in the student's award.

All other responses which were incomplete or incorrect were examined carefully to determine what further information was necessary. In these instances, an additional request letter was sent to the applicant/parent along with an attachment explaining the exact items still needed. If the applicant had not responded within one month or had again responded incorrectly, the case was considered closed and the student was informed that the award had been suspended.

All communications with students/parents, financial aid officers, OE and any other party involved in a case were recorded on the document control system as described in Chapter 2. Tables shown in this chapter were derived from this document control system.

A complete detailed discussion of the procedures used in the Pre-established Criteria Study is given in Chapter 3 of Volume I of the Basic Grant Validation Study Final Report (Revised Procedural Manual).

3.3: APPROACH TO DATA ANALYSIS

Like the Institution Referral Study, analysis of Pre-established Criteria Study data was conducted through the use of simple descriptive statistics such as univariate and joint frequency distributions. Depending on the purpose for which the data are presented, distributions were developed to indicate absolute and/or relative frequencies. Because more data were available for analysis for the Pre-established Criteria Study than for the Institution Referral Study, greater analytical use was made of measures of central tendency in the present chapter. However, as in the previous chapter, no use was made of inferential statistics.

Because the applicants in the Pre-established Criteria Study were selected through probability sampling, population projections based on these study data are justifiable within the limits of confidence for the various subgroups presented in Section 3.2. Care should be taken, though, in making such projections because, almost 45 percent of the cases were closed before a determination could be made of the validity of SER information. Whether the absence of definitive resolutions for these individuals introduces systematic bias is not known.

Variables considered in the Pre-established Criteria Study were those directly relevant to the basic study objectives presented in the Introduction to this report. Variables were considered which provided information relative to: 1) the degree of actual and potential program abuse; 2) the characteristics of applicants likely to misreport data and (3) procedures for screening and correcting erroneous applications.

Independent Variables

The main independent variables were the criteria by which applicants were selected. Five main criteria were selected for the Pre-established Criteria Study from which thirty different combinations were derived. The five main criteria consisted of the following:

- Taxes paid inconsistent with income
- Corrections to SER data resulting in index change greater than 250 points
- Adjusted Gross Income (AGI) was assumed through processing edits
- Household size not equal to exemptions
- Number of persons in post-high school is four or more

The combinations of these five criteria; as previously shown in Exhibit B, were arranged so that the complete spectrum of error types within the criteria would be covered.

In addition to these sampling criteria, personal characteristics of the applicants comprised one of the variables. This variable was the dependency status of the applicant:

- student's filing status
  - dependent
  - independent
- student's year in school
  - first year
  - second year
  - third year
  - fourth year
- Income level
  - less than 4,000
  - 4,000 - 6,999
  - 7,000 - 9,999
  - more than 12,000

Two of the independent variables in the Pre-established Criteria Study involved characteristics of the institutions which applicants attended. They were:

- institution control
  - public
  - private, non-profit
  - private, proprietary
  - other/unknown
- institution size
  - enrollment of less than 1,000
  - enrollment between 1,000 and 5,000
  - enrollment over 5,000
  - other/unknown

Dependent Variables

The Pre-established Criteria Study examined several dependent variables. The first variable consisted of actual confirmed SAR discrepancies, which includes categories similar to those considered in the Institution Referral Study. The incidence of actual discrepancies identified through this variable was considered important in identifying aspects of the Basic Grant application which are unclear to many applicants. Discrepancy categories were defined as follows:

- adjusted gross income misreported (AGI)
- adjusted gross income misreported - step-parent
- taxes withheld rather than taxes paid
- taxes other than income taxes reported
- errors in reported taxes paid, N.E.C.
- non-taxable income[1/] reported as a monthly disbursement
- non-taxable income (step-parent case)
- Veteran's Educational Benefits reported as other income
- non-taxable income issues other than those cited above
- errors in Veteran's Educational Benefits, N.E.C.
- number of family members in postsecondary schools identical with total family size
- Number of family members in postsecondary schools includes all children attending schools of any type (elementary, secondary, etc.)
- errors in reported number of family members in postsecondary schools, N.E.C.
- errors in reported household size

1/ For purposes of Basic Grant applications, "other income" refers to non-taxable income not reported on Federal or State income tax returns such as Social Security benefits, welfare, child support, and other non-taxable sources of income.

- enrollment in postsecondary schools prior to April, 1973
- errors in reported citizenship or immigration status
- errors in reported dependency status
- errors in reported assets
- errors in applicant's reported cash savings
- other types of discrepancies, N.E.C.

The mode of case resolution is another dependent variable considered in this study. This variable is important in that the information provided should indicate the effectiveness of the criteria which can then be assessed for future validation efforts. Finally, changes in Student Eligibility Indices and key SER data fields were also considered as critical dependent variables for analysis.

3.4: PRE-ESTABLISHED CRITERIA STUDY RESULTS

The following text is divided into three sections each describing a key area in the analysis of data collected from the Pre-established Criteria validation. Section 3.4.1 examines modes of case resolution, the distribution of confirmed Student Eligibility Report errors, and distribution of errors by selected applicant characteristics. Section 3.4.2 presents data concerning the impact of corrected SERs on Student Eligibility Indices. Finally, Section 3.4.3 discusses the distribution of errors by selected characteristics of schools in which applicants were enrolled.

3.4.1: Mode of Case Resolution and Distribution of Confirmed SER Errors

Mode of Resolution

As indicated earlier, validation efforts were undertaken for 6005 applicants whose SERs contained data entries which, on the basis of past validation experience, seemed likely to be in error. Of these 6005 cases, resolution was obtained for 3276 at the time

this report was prepared. The remaining 2729 cases were still in various stages of processing.

As in the case of Institution Referral cases, resolution for Pre-established Criteria cases could be obtained for one of seven reasons. These include cases in which:

- the student did not use his/her Basic Grant Award
- the institution at which a student was enrolled resolved the apparent SER discrepancy
- the student submitted documentation which acceptably supported his/her SER
- the student submitted a correction to his/her SER
- the Office of Education, for policy reasons, considered a case inappropriate for normal validation procedures
- the validation contractor was unable, after repeated efforts, to contact the student or his/her parent(s)
- the student failed to respond to repeated requests for verifying information.

Cases closed for this final reason were referred to the Basic Grant processor. Should these individuals apply for a Basic Grant in future years, their applications will be flagged and the student will be instructed to contact the validation contractor before his/her pending application will be processed.

Table 3.1 presents detailed information on the distribution of cases within the various closure modes, by type of confirmed discrepancy.[1/] Of the 3276 successfully closed cases, 1215 submitted corrected SERs (37%). Another 1423 (43.4%) were closed

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1/ The reason for cases in the "acceptable documentation" closure mode also evidencing confirmed discrepancies is that discrepancies of fewer than $200 were not considered errors. Also, if it was apparent that the SER change would not effect the student's SEI, the student's documentation was accepted. This procedure was used only when obvious non-effective changes were made; therefore it was not used consistently.

TABLE 3.1

MODE OF CASE RESOLUTION BY DISCREPANCY TYPES (PRE-ESTABLISHED CRITERIA)

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DISCREPANCY TYPE	TOTAL	MODE OF RESOLUTION: STUDENT DID NOT USE GRANT	INSTITUTION RESOLUTION	VALID SSR CORRECTION	ACCEPTABLE DOCUMENTATION	NON-RESPONSE	UE RESOLUTION	UNABLE TO CONTACT STUDENT/PARENT	
TOTAL	3,276	116		1,215	381	1,285	141	138	SC
	100.0	3.5		37.1	11.6	39.2	4.3	4.2	RC
	100.0	100.0		100.0	100.0	100.0	100.0	100.0	CC
	100.0	3.5		37.1	11.6	39.2	4.3	4.2	MC
ADJUSTED GROSS INCOME	306	1		283	24				SC
	100.0	0.3		91.9	7.8				RC
	9.4	0.9		23.3	6.3				CC
	9.4			8.6	0.7				MC
TAXES PAID	260			189	71				SC
	100.0			72.7	27.3				RC
	7.9			15.6	18.8				CC
	7.9			5.8	2.2				MC
OTHER INCOME	79	1		54	15				SC
	100.0	1.3		77.1	21.4				RC
	2.4	0.9		4.4	3.9				CC
	2.4			1.6	0.5				MC
HOUSEHOLD SIZE AS REPORTED IN APPLICATION SUMMARY	88			87	1				SC
	100.0			98.9	1.1				RC
	2.7			7.2	0.3				CC
	2.7			2.7					MC
ASSETS/EARNINGS	1				1				SC
	100.0				100.0				RC
					0.3				CC
									MC
DEPENDENCY STATUS:									
OTHER	6			6					SC
	100.0			100.0					RC
	0.2			0.5					CC
	0.2			0.2					MC
MULTIPLE	601			591	6	3	1		SC
	100.0			98.3	1.0	0.5	0.2		RC
	18.3			48.6	1.5	2.1	0.7		CC
	18.3			18.0	0.2	0.1			MC
NONE	643	16		4	239	3	1		SC
	100.0	5.7		1.4	91.5	1.1	0.4		RC
	8.5	13.8		0.3	68.0	2.1	0.7		CC
	8.0	0.5		0.1	7.9	0.1			MC

TABLE 3.1 (cont.)

MODE OF CASE RESOLUTION BY DISCREPANCY TYPES (PRE-ESTABLISHED CRITERIA)

DISCREPANCY TYPE	TOTAL	MODE OF RESOLUTION: STUDENT DID NOT USE AGAIN	INSTITUTION RESOLUTION	VALID SER CORRECTION	ACCEPTABLE DOCUMENTATION	NON-RESPONSE	OE RESOLUTION	UNABLE TO CONTACT STUDENT/PARENT	
Withdrawals	1,034	96		1	4	1,285	135	136	SC
	100.0	5.9		0.1	0.2	77.5	8.1	8.2	RC
	38.5	86.5		0.1	1.0	100.0	95.7	94.5	CC
	20.0	3.8			0.1	39.2	4.1	4.2	MC

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because the validation contractor received no response to requests for information or was unable to contact the student and/or his parents. Only 381 individuals (11.6%) were able to provide documentation which supported the validity of their SERs. Compared to the distribution of cases by closure mode in the 1975-76 Pre-established Criteria Study, it is clear that significant improvements have occurred in the validation process itself and/or the sensitivity of selection criteria for identifying high risk SERs. As the following text table demonstrates, the number of corrected SERs increased by almost 8 percent of all closed cases, while the proportion of applicants supplying acceptable documentation decreased by 15 percent.

	Mode of Case Closure			
	Acceptable Documentation	Corrected SERs	Non-Response	Other
	%	%	%	%
1976-77	11.6	37.0	43.4	3.0
1975-76	26.9	29.4	38.4	5.3

Cases closed due to nonresponse increased by 5 percent during the 1976-77 validation effort, but it is likely that this increase is not so much a failure of the validation process as it is a function of better criteria for identifying SERs with errors. The assumption, of course, is that applicants with erroneous SERs would be less likely to cooperate in the validation process than those with valid applications. It should be noted that the remaining cases, which were unresolved at the time this report was prepared, will largely be closed due to the receipt of an unacceptable response after an additional request for information had been made.

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Therefore the more problematic the SERs sampled in the validation process, the higher the rate of non-response.

Mode of Resolution by Selected Applicant Characteristics

Three variables were selected for further examination relative to mode of case resolution. These variables were applicant's dependency status, year in school, and reported income level. Each is discussed in turn.

Table 3.2 presents the distribution of resolved cases among the various closure modes by dependency status. These data reveal that independent students were less likely to submit corrected Student Eligibility Reports and more likely to be non-respondents than dependent students. Only 28.7 percent of all independent applicants submitted corrected SERs as compared to 42.9 percent of the dependent applicants and 46.2 percent were nonrespondents as compared to 33.4 percent of the dependent applicants. These differences are consistent with the relative difficulty the validation contractor had in pursuing validation efforts with independent students. It has been suggested that the basic reason for this difficulty is that independent students lead much more transient life styles than dependent students and it is therefore more difficult to obtain their cooperation. Additionally, by not having parents or guardians to contact, the validation contractor had no secondary sources available from which to obtain the necessary validating information.

Applicant's year in school also shows an association with mode of closure. As indicated in Table 3.3 underclassmen (first and second year students) were more likely to be closed due to nonresponse and less likely to submit corrected SERs. Forty-four percent and 39.9 percent of first and second year students were closed for nonresponse as compared to 29.7 percent and 30.3 percent of third and fourth year students. The percentages for submitting corrected SERs by year in school are 33.8 percent, and 38.9 percent versus 42.0

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TABLE 3.2

[illegible]

[illegible]	[illegible]	EMPLOYMENT STATUS		
	TOTAL	[illegible]	[illegible]	
TOTAL	[illegible]	[illegible]	[illegible]	SC
	[illegible]	[illegible]	[illegible]	MC
	[illegible]	[illegible]	[illegible]	CC
	[illegible]	[illegible]	[illegible]	ME
[illegible]	[illegible]	[illegible]	[illegible]	SC
	[illegible]	[illegible]	[illegible]	MC
	[illegible]	[illegible]	[illegible]	CC
	[illegible]	[illegible]	[illegible]	ME
[illegible]				
[illegible]	[illegible]	[illegible]	[illegible]	SC
	[illegible]	[illegible]	[illegible]	MC
	[illegible]	[illegible]	[illegible]	CC
	[illegible]	[illegible]	[illegible]	ME
[illegible]	[illegible]	[illegible]	[illegible]	SC
	[illegible]	[illegible]	[illegible]	MC
	[illegible]	[illegible]	[illegible]	CC
	[illegible]	[illegible]	[illegible]	ME
[illegible]	[illegible]	[illegible]	[illegible]	SC
	[illegible]	[illegible]	[illegible]	MC
	[illegible]	[illegible]	[illegible]	CC
	[illegible]	[illegible]	[illegible]	ME
[illegible]	[illegible]	[illegible]	[illegible]	SC
	[illegible]	[illegible]	[illegible]	MC
	[illegible]	[illegible]	[illegible]	CC
	[illegible]	[illegible]	[illegible]	ME
UNABLE TO LOCATE [illegible]	[illegible]	[illegible]	[illegible]	SC
	[illegible]	[illegible]	[illegible]	MC
	[illegible]	[illegible]	[illegible]	CC
	[illegible]	[illegible]	[illegible]	ME

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TABLE 3.3

MODE OF CASE RESOLUTION BY APPLICANT'S YEAR IN SCHOOL (PRE-ESTABLISHED CRITERIA)

		YEAR IN SCHOOL					
MODE OF RESOLUTION	TOTAL	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	OTHER	
DIED	3.6%	1.5%	8.1%	5.1%	2.4%	1	SC
	1.0%	0.7%	2.0%	15.4%	0.1		MC
	1.0%	1.0%	100.0	100.0	100.0	100.0	CC
	1.0%	0.7%	2.0%	15.4%	0.1		MC
STUDENT DID NOT RETURN	110	0.3	30	17	9		SC
	1.0%	30.3	20.0	14.7	2.6		MC
	2.0	0.0	7.3	3.3	2.0		CC
	2.0	1.0	0.0	0.5	0.2		MC
INSTITUTION RESOLVED							
REFER TO SOME CONNECTION	1.6%	5.0%	3.0%	2.0%	1.0%	1	SC
	1.0%	0.0%	0.0%	17.0%	1.0	0.1	MC
	2.0%	3.0%	2.0%	0.0%	0.0%	100.0	CC
	2.0%	1.0%	1.0%	0.7	1.0		MC
ACCEPTABLE OUTCOME/ATTRITION	2.0%	1.0%	0.0	0.0	2.0		SC
	1.0%	3.0%	0.0%	0.0%	1.0%		MC
	1.0%	0.0%	1.0%	1.0%	1.0%		CC
	1.0%	0.3	3.0	2.0%	1.0		MC
WITHDRAWAL	1.0%	0.0%	1.0%	1.0%	0.0		SC
	1.0%	0.0%	0.0%	0.0%	0.0		MC
	0.0%	0.0%	0.0%	0.0%	0.0%		CC
	0.0%	0.0%	0.0%	0.0%	0.0%		MC
OTHER OR UNKNOWN	1.0%	0.0%	0.0%	0.0%	0.0%		SC
	1.0%	0.0%	0.0%	0.0%	0.0%		MC
	0.0%	0.0%	0.0%	0.0%	0.0%		CC
	0.0%	0.0%	0.0%	0.0%	0.0%		MC

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percent and 40.1 percent, respectively. Table 3.3 also shows that the proportion of cases closed, because applicants submitted acceptable documentation, progressively increases with each additional year in school (9.0%, 11.0%, 15.8%, and 19.9%, respectively).

Finally, income level exhibits associations with closure mode that reflect patterns of SER discrepancies (see following section). Table 3.4 indicates that the higher the income level, the more likely closure resulted from an acceptable SER correction (less than $4,000, 27.0%; $4,000-$6,999, 32.5%; $7,000-$9,999, 35.8%; $10,000-$12,000, 47.8%; and over $12,000, 57.6%). Because over 25 percent of all confirmed errors were adjusted gross income errors and because higher income applicants were more likely to have adjusted gross income errors than lower income applicants, this closure pattern was anticipated. Table 3.4 also indicates, though, that lower income applicants were more likely to be closed for non-response or inability to be contacted. For each of these closure reasons, the relative proportion of resolved cases decreased as income level increased. For closures due to non-response, the percentages are 46.2 percent, 46.2 percent, 39.9 percent, 29.7 percent and 21.8 percent, respectively. For inability to contact the students, the percentages are 6.9 percent, 4.0 percent, 3.7 percent, 1.0 percent and 1.5 percent, respectively.

Based on the trends in closure modes by various applicant characteristics, then, it is possible to establish profiles that relate to validation resolutions in the three critical closure modes; acceptable documentation, acceptable SER correction, and non-response. These profiles are presented in the following text exhibit.

TABLE 3.4

MODE OF CASE RESOLUTION BY INCOME LEVEL (PRE-ESTABLISHED CRITERIA)

		INCOME LEVEL					
MODE OF RESOLUTION	TOTAL	LESS THAN 4,000	4,000- 6,999	7,000- 9,999	10,000- 12,000	MORE THAN 12,000	
TOTAL	3,276	1,105	699	592	293	587	SC
	100.0	33.7	21.3	18.1	8.9	17.9	RC
	100.0	100.0	100.0	100.0	100.0	100.0	CC
	100.0	33.7	21.3	18.1	8.9	17.9	MC
STUDENT DID NOT USE AWARD	110	44	25	21	11	15	SC
	100.0	37.9	21.6	18.1	9.5	12.9	RC
	3.5	4.0	3.6	3.5	3.8	2.6	CC
	3.5	1.3	0.8	0.6	0.3	0.5	MC
INSTITUTION RESOLUTION							
VALID SER CORRECTION	1,215	248	227	212	140	338	SC
	100.0	24.5	18.7	17.4	11.5	27.8	RC
	37.1	27.0	32.5	35.8	47.8	57.6	CC
	37.1	9.1	6.9	6.5	4.3	10.3	MC
ACCEPTABLE DOCUMENTATION	381	122	63	68	44	84	SC
	100.0	32.0	16.5	17.8	11.5	22.0	RC
	11.6	11.0	9.0	11.5	15.0	14.3	CC
	11.6	3.7	1.9	2.1	1.3	2.6	MC
NONRESPONSE	1,285	511	323	236	87	128	SC
	100.0	39.8	25.1	18.4	6.8	10.0	RC
	39.2	46.2	46.2	39.9	29.7	21.8	CC
	39.2	15.6	9.9	7.2	2.7	3.9	MC
OF RESOLUTION	141	54	33	33	8	13	SC
	100.0	38.3	23.4	23.4	5.7	9.2	RC
	4.3	4.9	4.7	5.6	2.7	2.2	CC
	4.3	1.6	1.0	1.0	0.2	0.4	MC
UNABLE TO CONTACT STUDENT/PARENT	136	73	26	22	3	9	SC
	100.0	55.1	19.3	15.9	2.2	6.5	RC
	4.2	6.9	4.0	3.7	1.0	1.5	CC
	4.2	2.3	0.9	0.7	0.1	0.3	MC

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Closure Mode	Most Likely Applicant Type[1/]
Acceptable Documentation	Upper classman
Acceptable SER Correction	Upperclass dependent student whose family is relatively well-to-do
Non-Response	Underclass independent student with relatively low income

Distribution of Confirmed SER Errors

Of the 3276 cases successfully resolved at the time of report preparation, 1215 had one or more confirmed SER discrepancies. In total 2,628 such discrepancies were documented. These discrepancies were distributed among key SER data fields as indicated in the following text table.

Distribution of Confirmed SER Discrepancies by Key SER Data Fields

Validation Year	Total	Adjusted Gross Income %	Taxes Paid %	Non-Taxable Income %	Household/ Postsecondary Offsets %	Other
1976-77	100.0 (N=2628)	25.1 (N=659)	35.5 (N=932)	9.9 (N=261)	26.0 (N=684)	3.5 (N=77)
1975-76	100.0 (N=793)	28.7 (N=228)	23.4 (N=186)	22.8 (N=181)	19.0 (N=151)	.06 (N=50)

1/ Each characteristic listed by itself is associated with the closure mode in question. Interactions among these characteristics were not examined. The profile presented simply means that an applicant of the type described falls into as many of variable categories as Tables 205-207 indicated were associated with modes of case resolution.

This text table clearly shows that SER errors for the current application effort are of three types: adjusted gross income errors (25.1%), taxes paid errors (35.5%) and offset errors (26.0%). Compared to the 1975-76 validation study, this text table indicates a significant 1976-77 increase in taxes paid errors (+12%) and offset errors (+7.0%) and a significant decrease in nontaxable income errors (-13%). These differences were, in large part, a function of differences between the 1975-76 and 1976-77 studies.[1/] This fact notwithstanding, though, it appears that Office of Education efforts to improve the Basic Grant application to reduce misreporting, were not as successful as anticipated.

Distribution of Confirmed Errors by Selected Applicant Characteristics

Table 3.5 considers the association of applicants' dependency status with type of SER discrepancy. In almost all instances, independent students show a slight tendency to have a relatively greater proportion of errors in each of key SER data fields with one major exception. More than 27 percent of all confirmed errors among dependent students are adjusted gross income errors, whereas this is true for only 20.5 percent of all errors among independent students. Data from the 1975-76 validation effort indicate a rough equality in the proportion of adjusted gross income errors between dependent and independent applicants. Variations between dependent and independent students in the 1975-76 study occurred mainly in the "taxes paid" and offset errors. Why these differences in distributions of confirmed SER errors occurred is not clear and again may be a function of the different pre-established selection criteria.

1/ The 1976-77 Pre-Established Criteria emphasized applications with apparent tax and offset errors, whereas the 1975-76 criteria focused on low income applicants.

TABLE 3.5

DISTRIBUTION OF CORRECTED STUDENT ELIGIBILITY REPORT DISCREPANCIES BY DEPENDENCY STATUS (PRE-ESTABLISHED CRITERIA)

CORRECTED DISCREPANCY TYPE	TOTAL	DEPENDENT APPLICANTS	INDEPENDENT APPLICANTS	
TOTAL	2,020	1,812	208	SC
	100.0	89.7	10.3	RC
	100.0	100.0	100.0	CC
	100.0	89.7	10.3	MC
ADJUSTED GROSS INCOME	557	492	65	SC
	100.0	88.3	11.7	RC
	27.1	27.2	31.3	CC
	27.1	24.3	31.3	MC
TAXES PAID	132	124	8	SC
	100.0	93.9	6.1	RC
	6.5	6.8	3.8	CC
	6.5	6.8	3.8	MC
OTHER INCOME	201	176	25	SC
	100.0	87.6	12.4	RC
	9.9	9.7	12.0	CC
	9.9	9.7	12.0	MC
HOUSEHOLD SIZE	230	194	36	SC
	100.0	84.3	15.7	RC
	11.4	10.7	17.3	CC
	11.4	10.7	17.3	MC
NUMBER IN POSTSECONDARY SCHOOL	434	388	46	SC
	100.0	89.4	10.6	RC
	21.5	21.4	22.1	CC
	21.5	21.4	22.1	MC
ASSETS/EARNINGS	13	10	3	SC
	100.0	76.9	23.1	RC
	0.6	0.6	1.4	CC
	0.6	0.6	1.4	MC
DEPENDENCY STATUS	1		1	SC
	100.0		100.0	RC
			0.5	CC
				MC
OTHER	79	53	26	SC
	100.0	67.1	32.9	RC
	3.9	2.9	12.5	CC
	3.9	2.9	12.5	MC
NONE				
UNKNOWN				

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There was no significant variation in the distribution of confirmed SER errors associated with applicants' year in school. As Table 3.6 indicates, within each discrepancy type the relative proportion of under and upper classmen is remarkably uniform.

Differences did occur, though as a function of applicants' income. Table 3.7 indicates that, as might be expected, adjusted gross income errors were far more prevalent in the upper income intervals. Applicants in the last three groups ($7,000-$9,999, $10,000-$12,000, and $12,000+) exhibited relative rates of adjusted gross income errors of 27.8 percent, 28.3 percent, and 31.3 percent, respectively. For applicants in the two lower income groups, the incidence of adjusted income errors was slightly over 18 percent.

Table 3.7 also reveals that non-taxable income errors were far more prevalent in the lowest income groups. Of all confirmed SER errors among applicants reporting annual adjusted gross incomes of less than $4,000, 23.4 percent were non-taxable income errors. The proportion of confirmed errors associated with non-taxable income in the other income groups was 10.6 percent or less.

Differences in relative frequency of other types of SER errors as a function of income level were minor.

3.4.2: Changes in Student Eligibility Indices

As in the case of institution referrals, a primary objective of the Pre-established Criteria Study was to correct erroneous SERs. Of the 1215 applicants who submitted corrected SERs, 926 were processed in time for inclusion in this report. This is to be compared with similar figures of 406 SER corrections obtained during the 1975-76 validation effort, 360 of which were processed in time for reporting purposes.

A comparison of the magnitude of SEI changes obtained during the 1975-76 study with the current 1976-77 project is presented in the following text table.

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TABLE 3.6

DISTRIBUTION OF CONFIRMED STUDENT ELIGIBILITY REPORT DISCREPANCIES BY YEAR IN SCHOOL (PRE-ESTABLISHED CRITERIA)

		YEAR IN SCHOOL					
CONFIRMED DISCREPANCY TYPE	TOTAL	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	OTHER	
TOTAL	2,026	1,101	733	473	259	2	SC
	100.0	54.4	27.9	18.9	9.9	0.1	MC
	100.0	100.0	100.0	100.0	100.0	100.0	CC
	101.0	54.4	27.9	18.9	9.9	0.1	MC
ADJUSTED GROSS INCOME	839	471	193	125	39	1	SC
	100.0	41.1	69.3	19.9	10.5	0.2	MC
	23.1	23.3	26.3	26.4	20.0	50.0	CC
	23.1	10.3	7.3	4.8	2.3		MC
TAXES PAID	456	401	230	171	91	1	SC
	100.0	43.9	67.3	19.9	10.9	0.1	MC
	22.3	24.3	34.9	37.9	37.3	50.0	CC
	22.3	10.3	9.1	6.1	3.1		MC
OTHER INCOME	231	170	41	42	20		SC
	100.0	73.6	17.7	18.1	8.7		MC
	9.9	11.9	5.1	8.9	7.1		CC
	9.9	4.9	2.1	1.8	0.8		MC
HOUSEHOLD SIZE	250	194	79	43	31		SC
	100.0	41.8	28.9	18.8	12.4		MC
	9.3	9.9	9.3	9.3	12.9		CC
	9.3	4.8	2.1	1.7	1.2		MC
NUMBER IN POSTSECONDARY SCHOOL	434	215	110	67	39		SC
	100.0	49.6	25.1	15.4	9.1		MC
	19.3	19.5	15.8	14.2	15.3		CC
	19.5	8.2	4.9	2.3	1.5		MC
ASSETS/EARNINGS	13	7	1	5			SC
	100.0	53.8	7.7	38.3			MC
	0.5	0.5	0.1	1.1			CC
	0.5	0.3		0.2			MC
DEPENDENCY STATUS	1		1				SC
	100.0		100.0				MC
			0.1				CC
							MC
OTHER	70	34	23	12	1		SC
	100.0	48.6	32.9	17.1	1.4		MC
	3.5	3.1	3.1	2.5	0.4		CC
	3.5	1.5	1.5	0.5	0.3		MC

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TABLE 3.6 (cont.)

Distribution of Undrained Shear Strength Ratio Parameters at Year 1 Using Undrained Criteria

Material Type	Index	Plastic Limit	Natural Water Content	Liquid Limit	Plasticity Index
Year 1 Drawn					

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TABLE 3.7

DISTRIBUTION OF [illegible] BY INCOME LEVEL (PRE-ESTABLISHED CRITERIA)

		INCOME LEVEL					
CONFIRMED DISCREPANCY TYPE	TOTAL	LESS THAN $5,000	$5,000 - $7,999	$8,000 - $9,999	$10,000 - $12,999	MORE THAN $12,000	
TOTAL	2,120	612	449	290	164	734	SC
	100.0	28.9	21.2	13.7	7.7	34.6	MC
	100.0	100.0	100.0	100.0	100.0	100.0	CC
	100.0	28.9	21.2	13.7	7.7	34.6	MC
ADJUSTED GROSS INCOME	834	170	89	134	80	430	SC
	100.0	20.4	10.7	16.1	9.6	51.6	MC
	39.3	27.8	19.8	46.2	48.8	58.6	CC
	39.3	8.0	4.2	7.7	4.7	10.1	MC
TAXES PAID	1,286	442	360	156	116	212	SC
	100.0	34.4	28.0	12.1	9.0	16.5	MC
	60.6	72.2	80.2	53.8	70.7	28.9	CC
	60.6	20.8	16.9	6.5	4.2	10.1	MC
OTHER INCOME	1,291	387	324	154	82	344	SC
	100.0	30.0	25.1	11.9	6.4	26.7	MC
	60.9	63.2	72.2	53.1	50.0	46.9	CC
	60.9	18.2	15.2	6.8	3.9	16.2	MC
MORTGAGE PAID	1,230	414	324	179	93	220	SC
	100.0	33.7	26.3	14.6	7.6	17.9	MC
	58.0	67.6	72.2	61.7	56.7	30.0	CC
	58.0	19.5	15.3	8.4	4.4	10.4	MC
MORTGAGE INTEREST DEDUCTED	1,134	345	314	171	91	213	SC
	100.0	30.4	27.7	15.1	8.0	18.8	MC
	53.5	56.4	69.9	59.0	55.5	29.0	CC
	53.5	16.3	14.8	8.1	4.3	10.1	MC
ABSENTEE/NONRESIDENT	13	1	1	2	0	9	SC
	100.0	7.7	7.7	15.4	0.0	69.2	MC
	0.6	0.2	0.2	0.7	0.0	1.2	CC
	0.6			0.1	0.0	0.4	MC
DEPENDENCY STATUS	1	1					SC
	100.0	100.0					MC
		0.2					CC
							MC
OTHER	776	12	10	29	0	22	SC
	100.0	15.5	13.1	25.6	0.0	28.2	MC
	36.6	2.0	2.2	9.1	0.0	3.0	CC
	36.6	1.5	0.9	3.8	0.0	3.8	MC

TABLE 3.7 (cont.)

DISTRIBUTION OF CONFIRMED STUDENT ELIGIBILITY REPORT DISCREPANCIES BY INCOME LEVEL (PRE-ESTABLISHED CRITERIA)

		INCOME LEVEL				
CONFIRMED DISCREPANCY TYPE	TOTAL	LESS THAN 4,000	4,000- 6,999	7,000- 9,999	10,000- 12,000	MORE THAN 12,000
UNKNOWN						

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Magnitude of SEI Changes: 1975-76 vs. 1976-77		
Magnitude of SEI Change	1975-76 %	1976-77 %
Increase of more than 300	26.1	26.5
Increases of 1-300 points	18.4	33.9
No change	47.2	30.2
SEI Decreases	8.3	9.4
Average Absolute SEI Change	294.0	270.2

These data reveal a remarkable consistency in the proportion of SEI increases in excess of 300 points and total SEI decreases (26% vs. 26%; 8.3% vs. 9.4%, respectively). On the other hand, these data reveal significant shifts among applicants incurring no change and changes of 1-300 points. In the 1975-76 study, almost 50 percent of all SER corrections resulted in no SEI change. This was true for only 30.2 percent of the 1976-77 SER corrections. Conversely, only 18.4 percent of the 1975-76 corrections incurred SEI increases of 1-300 points. This was true for almost 34 percent of the 1976-77 corrections.

The shift from corrections resulting in no SEI change to corrections resulting in moderate SEI increases can again be attributed to the refinement of the 1976-77 selection criteria over those used in the 1975-76 project. The 1976-77 criteria deemphasized low income applicants compared to the 1975-76 criteria. While errors are not uncommon among low income applicants, oftentimes correction of these errors didn't impact the applicants' existing SEI. By deemphasizing low income *per se* as a selection criterion, validation efforts were directed toward applicants for whom SER corrections were more likely to result in SEI changes.

The average SEI changes for all SER corrections obtained in the 1975-76 and 1976-77 validations were also quite similar. The figures were 294 points for 1975-76 and 270 for 1976-77. These are both "absolute" average changes.[1/] "Effective" SEI changes were not calculated for the 1975-76 project. For the 1976-77 study, Table 3.8 indicates that the overall "effective" SEI change was an increase of 189.9 points per SER correction. This table also presents "absolute" and "effective" SEI changes for corrections to key SER data fields. SER corrections to adjusted gross income data elements and multiple data field corrections resulted in the highest effective SEI changes (257 points and 216 points, respectively). Offset errors came next with an average effective change of 144.6 points. Non-taxable income errors resulted in the lowest effective change (36.0 points). That non-taxable income errors should have minimal impact on SEIs is a function of the fact that these errors are most common among low income applicants. As explained above, SER corrections involving low income applicants often have little impact on extant SEIs because the financial circumstances of low income applicants are such that significant increases in reported income would have to occur before their SEIs would increase above "0."

Changes in Critical SER Data Items

Table 3.9 examines the number and average magnitude of corrections to critical SER data fields. The most interesting aspect of this table is the average decreases in offset data fields in cases of confirmed SER errors.[2/] Postsecondary offsets decreased by an average of 2.6 persons and household size offsets decreased by an average of 3.9 persons. This tends to confirm the earlier observation that despite efforts to improve the Basic Grant application to reduce confusion concerning offsets, these errors persist and their magnitude is substantial.

1/ See discussion of "absolute" versus effective SEI changes in Chapter 2, page 2.29.

2/ Decreases in these fields resulted in increased SEIs.

TABLE 3.8

AVERAGE STUDENT ELIGIBILITY INDEX (SEI) BY DISCREPANCY TYPE (PRE-ESTABLISHED CRITERIA)

DISCREPANCY TYPE	AVERAGE SEI CHANGE ABSOLUTE	EFFECTIVE	
TOTAL	920	920	SC
	250.525	175.809	SV
	270.9	189.9	MN
ADJUSTED GROSS INCOME	220	220	SC
	81.979	56.572	SV
	312.6	257.1	MN
TAXES PAID	142	142	SC
	10.436	10.356	SV
	73.5	72.9	MN
OTHER INCOME	37	37	SC
	2.029	1.404	SV
	72.9	38.5	MN
HOUSEHOLD SIZE/NUMBER IN POST-HIGH SCHOOL	69	69	SC
	12.962	9.979	SV
	187.9	144.6	MN
ASSETS/EARNINGS			
DEPENDENCY STATUS			
OTHER	5	5	SC
	103	103	SV
	20.6	20.6	MN
MULTIPLE	451	451	SC
	142.124	97.402	SV
	315.1	216.0	MN

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TABLE 3.9

MEAN DATA CHANGES ON STUDENT ELIGIBILITY REPORTS (SEC)

DATA ELEMENTS	OVERALL	FINAL DATUM GREATER INITIAL	FINAL DATUM LESS INITIAL	
ADJUSTED GROSS INCOME	850	510	146	SC
	409,795	229,517	314,721	SV
	1386.9	2908.9	2183.0	MN
TAXES PAID	928	187	741	SC
	371,693	98,223	469,315	SV
	399.9	525.3	633.4	MN
"OTHER INCOME"	295	193	92	SC
	137,195	271,232	138,053	SV
	522.3	1404.1	1500.6	MN
POSTSECONDARY SCHOOL OFFSET	422	23	394	SC
	979	29	1,008	SV
	2.3	1.0	2.6	MN
HOUSEHOLD SIZE OFFSET	241	64	177	SC
	613	82	695	SV
	2.5	1.3	3.9	MN

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The following text table compares average changes in key SER data fields between the 1975-76 and 1976-77 Pre-established Criteria studies, in terms of the overall change and those changes which resulted in increased SEIs.

Average Changes to Key SER Data Fields: 1975-76 vs. 1976-77

Data Fields	1975-76		1976-77	
	Overall Change	Changes Resulting in Increased SEI's	Overall Change	Changes Resulting in Increased SEI's
Adjusted Gross Income	$1767	$3228	$1387	$2409
Taxes Paid	$ 95	$ 563	$ 400	$ 633
Non-Taxable Income	$1320	$2207	$ 522.60	$1664.10
Postsecondary School Offset	3.2	3.7	2.3	2.6
Household Offset	.8	2.6	2.5	3.9

Other than the relatively consistent trend in average magnitude of offset errors found in the two validation projects, it is encouraging to note that the 1976-77 study found significant decreases in average magnitude of errors among income data fields. Specifically, the average change in Adjusted Gross Income in the 1976-77 Validation study decreased by $380 from the average AGI change in the 1975-76 study. Even more outstanding was the decreased change in non-taxable income of $898. In terms of average changes that increased the students' eligibility index (EI), thus decreasing the award, the greatest difference encountered in this comparison was found in adjusted gross income. In this category there was a decrease of $819 in the adjusted gross income change which affected the EI, from the 1975-76 Validation study to the 1976-77 study. Errors in taxes paid and household size increased in average size, but not substantially.

3.4.3: Institution Statistics

Data presented in this section examines the relationship of various types of misreporting on the Basic Grant application, found in conducting the Pre-established Criteria Study, as a function of two institutional variables: enrollment size and institutional control. The findings reported are based upon data from validation cases which have been resolved.

Institution Enrollments

The first institutional variable examined is the size of institutional enrollment. The three size categories developed for purposes of analysis were schools with enrollments of less than 1,000; schools with enrollments between 1,000 and 5,000; and schools with enrollments over 5,000. In addition, a category was provided for cases in which the enrollment size was unknown.

The overall incidence of misreporting was highest in institutions with an enrollment between 1,000 and 5,000 (868 of 2628). Table 3.10 presents data showing the prevalence of Student Eligibility Report discrepancies by institutional size, i.e. the actual number of times each discrepancy occured. The findings are based upon 2,628 discrepancies uncovered by the validation contractor. The distribution of discrepancy types relative to the size of schools indicates that misreporting of specific SER items does not vary substantially by enrollment size. One trend was noticed, however, in the prevalence of income discrepancies. Adjusted gross income errors occurred at the same rate in mid-size and large institutions (26.3%), but were slightly less frequent in institutions with small enrollments (22.5%). Non-taxable income errors, on the other hand, occurred at a greater frequency in small-sized institutions (12.8%) than in institutions with mid-size and large enrollments (9.9% and 9.1%, respectively.).

Institutional Control

The second institutional variable considers the nature of the institutional control of which three types were identified: public, private, non-profit and private proprietary. Table 3.11 exhibits the prevalence of Student Eligibility Report discrepancies by the type of institutional control.

TABLE 3.10

[illegible] OF [illegible] DISCREPANCIES BY INSTITUTION SIZE (PRE-ESTABLISHED CRITERIA)

		Institution size				
DISCREPANCY TYPE	TOTAL	LESS THAN 1,000	1,000 TO 2,500	2,500 TO 5,000	5,000 AND OVER	
TOTAL	2,062	340	808	718	196	SC
	100.0	16.5	39.2	34.8	9.5	RC
	100.0	100.0	100.0	100.0	100.0	CC
	100.0	16.5	39.2	34.8	9.5	MC
ADJUSTED GROSS INCOME	874	76	268	384	146	SC
	100.0	10.9	34.5	44.0	16.7	RC
	42.4	22.4	33.2	53.5	74.5	CC
	42.4	2.7	9.9	13.6	5.1	MC
TAXES PAID	912	111	404	358	39	SC
	100.0	12.2	44.3	39.3	4.3	RC
	44.2	32.6	50.0	49.9	19.9	CC
	44.2	5.4	19.6	17.4	1.9	MC
OTHER INCOME	261	41	80	85	55	SC
	100.0	15.7	30.7	32.6	21.1	RC
	12.7	12.1	9.9	11.8	28.1	CC
	12.7	2.0	3.9	4.1	2.7	MC
HOUSEHOLD SIZE	250	25	70	98	57	SC
	100.0	10.0	28.0	39.2	22.8	RC
	12.1	7.4	8.7	13.7	29.1	CC
	12.1	1.2	3.4	4.7	2.9	MC
NUMBER OF DEPENDENTS CLAIMED	634	55	142	110	129	SC
	100.0	8.7	22.4	17.3	20.3	RC
	30.7	16.2	17.6	15.3	66.5	CC
	30.7	2.7	6.9	5.3	6.3	MC
ASSETS/EARNINGS	13	6	7	1	3	SC
	100.0	46.2	53.8	7.7	23.1	RC
	0.6	1.8	0.9	0.1	1.5	CC
	0.6	0.3	0.9		0.1	MC
DEPENDENT STATUS	1		1			SC
	100.0		100.0			RC
	0.1		0.1			CC
						MC
OTHER	78	14	41	17	20	SC
	100.0	17.9	52.6	21.8	25.6	RC
	3.8	4.1	5.1	2.4	10.2	CC
	3.8	0.7	2.0	0.8	1.0	MC

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TABLE 3.10 (cont.)

PREVALENCE OF STUDENT CRIMINALITY MEASURE DISCREPANCIES BY INSTITUTION SIZE (PRE-ESTABLISHED CRITERIA)

		INSTITUTION SIZE			
DISCREPANCY	Total	LESS THAN 1,000	1,000- 5,000	MORE THAN 5,000	OTHER OR UNKNOWN
UNWEIGHTED					

3.36

TABLE 3.11

PREVALENCE OF STUDENT ELIGIBILITY REPORT DISCREPANCIES BY INSTITUTION CONTROL (PRE-ESTABLISHED CRITERIA)

	INSTITUTION CONTROL					
DISCREPANCY TYPE	TOTAL	PUBLIC	PRIVATE NON-PROFIT	PRIVATE PROPRIETARY	OTHER-UNKNOWN	
TOTAL	2,525	1,429	475	73	551	SC
	100.0	56.6	18.8	2.9	21.8	RC
	100.0	100.0	100.0	100.0	100.0	CC
	100.0	56.6	18.8	2.9	21.8	MC
ADJUSTED GROSS INCOME	659	353	134	14	153	SC
	100.0	53.6	20.3	2.1	23.2	RC
	25.1	24.7	28.2	19.2	27.8	CC
	25.1	13.9	5.3	0.5	5.8	MC
TAXES PAID	436	203	102	22	235	SC
	100.0	46.6	23.4	5.0	53.9	RC
	16.6	14.2	21.5	30.1	42.6	CC
	16.6	7.9	4.0	0.8	9.2	MC
OTHER INCOME	251	145	41	13	62	SC
	100.0	57.8	16.3	5.2	24.7	RC
	9.9	10.1	8.6	17.8	11.3	CC
	9.9	5.7	1.6	0.5	2.4	MC
HOUSEHOLD SIZE	230	142	30	7	51	SC
	100.0	61.7	13.0	3.0	22.2	RC
	9.1	9.9	6.3	9.6	9.3	CC
	9.1	5.6	1.1	0.3	2.0	MC
NUMBER IN POST-HIGH SCHOOL	434	246	67	12	109	SC
	100.0	56.7	15.4	2.8	25.1	RC
	17.2	17.2	14.1	16.4	19.7	CC
	17.2	9.7	2.5	0.5	4.1	MC
ASSETS/EARNINGS	13	6	2	2	3	SC
	100.0	46.2	15.4	15.4	23.1	RC
	0.5	0.4	0.4	2.7	0.5	CC
	0.5	0.2	0.1	0.1	0.1	MC
DEPENDENCY STATUS	1	1				SC
	100.0	100.0				RC
		0.1				CC
						MC
OTHER	73	43	14	3	10	SC
	100.0	58.1	17.9	3.8	23.1	RC
	3.0	3.0	2.9	4.1	2.8	CC
	3.0	1.8	0.5	0.1	0.7	MC

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TABLE 3.11 (cont.)

PREVALENCE OF STUDENT ELIGIBILITY REPORT DISCREPANCIES BY INSTITUTION CONTROL (PRE-ESTABLISHED CRITERIA)

	INSTITUTION CONTROL				
DISCREPANCY TYPE	TOTAL	PUBLIC	PRIVATE NON-PROFIT	PRIVATE PROPRIETARY	OTHER-UNKNOWN
UNKNOWN					

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The data presented in this table indicates that, in most discrepancy types, there were no great differences in the prevalance of discrepanices within schools of varying sizes. Income discrepancies, however, provided some interesting results, in that, adjusted gross income errors and taxes paid errors occurred at a higher rate in private non-profit institutions than in other institutions. Specifically, adjusted gross income errors comprised 29.3% of the errors in non-profit schools, as compared to 24.7 percent in public schools and only 19.2 percent in proprietary schools. In addition, taxes paid errors occurred more frequently in private non-profit institutions (38.3%), in comparison to their frequency in public and proprietary schools (34.5% and 30.1%, respectively).

Private proprietary schools exhibited a significantly greater proportion of non-taxable income errors (17.8%) in comparison to public (10.1%) and private non-profit (8.6%) schools. This finding is contrary to the results obtained in the 1975-76 validation study in which non-taxable income errors were characteristically found in publicly controlled institutions. These findings then indicate that the type of institutional control may be related to the occurrence of income discrepancies on Student Eligibility Reports.

3.5: CHAPTER SUMMARY

The Pre-established Criteria Study validated Basic Grant applications of 6,005 students selected for follow-up on the basis of criteria which were, as a result of the 1975-76 validation study, believed to indicate a high probability of error. These criteria focused on items on the Basic Grant application and processing actions which are critical determinants of a student's eligibility to receive a Basic Grant award. The five criteria included instances in which 1) taxes paid were inconsistent with reported income 2) SER corrections resulted in eligibility index changes which were greater than 250 points, 3) adjusted gross income was "assumed" to determine eligibility, 4) household size was not equal to reported tax exemptions, and 5) four or more persons were reported as attending postsecondary schools.

Of the 6,005 applications selected for validation, 3,726 were resolved at the time this report was prepared. Resolution was obtained by one of seven specific reasons. Of these 3,726 cases, 1,285 were resolved due to non-response to all validation requests, 1,215 submitted valid SER corrections, 381 provided documentation which supported their original SER, and 395 were resolved as a result of OE policy decisions. Analysis of these cases resulted in the following observations.

- The 1976-77 Validation Study exhibited a higher rate of non-response than the 1975-76 Validation Study (5% more cases resolved due to non-response), and a greater proportion of cases resolved due to the receipt of SER corrections (7.6% more). The most outstanding finding in terms of the mode of case resolution is that significantly fewer cases in the 1976-77 Validation were resolved due to the receipt of acceptable documentation (15.3% less). These findings suggest that the criteria selected for the 1976-77 validation were successful in identifying groups of applicants who tend to misreport data in Basic Grant applications.

- Independent students had a higher rate of non-response than dependent students, whereas, dependent students had a higher rate of confirmed SER misreporting evidenced by the greater amount of corrected SERs provided by dependent students. This finding is consistent with that obtained in the 1975-76 validation study.

- The overall rate of response increased by year in school. Likewise the rate at which acceptable documentation and SER corrections were provided increased as the year in school increased.

- The most prevalent confirmed SER errors were taxes paid errors, which comprised slightly more than one third (35.5%) of all confirmed errors. Post-secondary offset and adjusted gross income errors were also quite numerous accounting for 26 and 25.1 percent of all errors, respectively.

- In terms of the distribution of discrepancy types, independent students exhibited a relatively greater proportion of errors in each of the key SER data fields, except for errors in adjusted gross income which accounted for twenty-seven percent of confirmed errors for dependent students.

- No variations in the distribution of confirmed SER errors were associated with year in school.
- Adjusted gross income errors were greater among students from higher income levels whereas non-taxable income errors were more prevalent in lower income groups.
- Of the 926 SER corrections processed in time for inclusion in this report, sixty percent resulted in increased eligibility indices (lowered Basic Grant disbursements). The average SEI change for all SER corrections was estimated to be 294 points, however the average "effective" SEI changes, in which an impact would be made on the amount of a student's award, averaged 190 points.
- Overall average changes in household size and family members attending postsecondary schools were nearly equal. In comparison to the 1975-76 Validation Study, changes in income items decreased significantly; nontaxable income errors decreased by approximately $897 and adjusted gross income errors decreased by $819.
- Schools with small enrollments evidenced the lowest incidence of misreporting as compared to larger schools, but in terms of the distribution of specific discrepancy types, small schools exhibited a relatively greater proportion of non-taxable income errors than larger schools.
- Public schools exhibited higher rates of household size and postsecondary school offest errors. Within privately controlled institutions, private non-profit schools exhibited higher rates of adjusted gross income and taxes paid errors; and private proprietary schools exhibited higher rates of non-taxable income errors.

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4

ANALYSIS OF INDIVIDUAL VALIDATION PROCEDURES

4.1: INTRODUCTION

The procedures used in both the Institution Referral and Pre-established Criteria Studies were modified from the procedures developed and implemented in the 1975-76 validation studies. Emphasis on 1976-77 procedures was placed on clarifying the exact information requirements needed for case validation and reducing the individual's response burden to a minimum. The modifications were implemented as a result of the findings from the 1975-76 study and as a planned procedure utilized for the purpose of constantly improving validation procedures.

This chapter reviews the procedures utilized in the individual validations to determine the success of the modified validation procedures and to identify areas where further improvements may be made. To conduct this review, analysis was made of validation transactions, i.e., all communications between validation study participants and other Basic Grants offices including the Office of Education, the validation contractor, the BEOG processor and financial aid offices.

Section 4.2 discusses the methodological approach to the procedural review and sections 4.3 and 4.2 consider specific reviews of the Institution Referral and Pre-established Criteria Validation procedures, respectively.

4.2: REVIEW METHODOLOGY

The approach to the procedures evaluation, undertaken by the validation contractor, was to examine simple frequency distributions of various types of responses in an attempt to identify problem areas in the validation procedures and ultimately refine the procedures to provide the most expeditious and concise manner in which to conduct future validations. Specific research questions which were addressed on examining these frequency distributions included:

- How many transactions were required to resolve a referral and did this vary as a function of discrepancy types?
- What were the relationships between transactions conducted by the contractor and transactions conducted by students/parents and other study participants?
- Which particular difficulties were encountered in conducting validation transactions in general?

Independent Variables

The validation contractor developed a series of tables which examined transactions in terms of one basic independent variable for each of the two Individual Validation Studies components. For the Institution Referral Study, the independent variable was reported discrepancies. The categories of this variable are the same as those outlined in Chapter 2. In this chapter, Institution Referral reported discrepancies are:

- prior enrollment errors
- adjusted gross income errors/taxes paid errors
- household/postsecondary offset errors
- assets/expenses errors
- zero/low income errors
- nontaxable income errors
- multiple discrepancies
- dependency status errors
- all others, N.E.C.

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For the *Pre-established Criteria Study*, the comparable independent variable was the selection criteria by which cases were chosen for validation. Categories of this variable are the same as those presented in Chapter 3, i.e., combinations of the following criteria:

- Taxes paid inconsistent with income
- Corrections to SER data resulting in index change greater than 250 points
- Adjusted Cross Income (AGI) was assumed through processing edits
- Household size not equal to tax exemptions
- Number of persons in post-high school is four or more

Dependent Variables

Tables in this chapter examined only one dependent measure, and that was the frequency with which a given transaction occurred. There were numerous transactions types, some of which applied mainly to Institution Referral cases, others to Pre-established Criteria cases. Rather than develop a separate listing of transaction types for each study type, a single compilation is presented:

- clarification prior to initial written response
- clarification after initial written response
- special letter
- initial requests for data
- first reminder
- second reminder
- third reminder
- last communication prior to award cancellation
- acceptable primary documentation received
- erroneous primary documentation received
- acceptable alternate documentation received
- erroneous alternate documentation received
- permission to extend time

- acceptable SER correction with documentation received
- received SER correction without documentation
- inappropriate response
- send SER for applicant's review of corrections made by validation contractor
- request permission to correct SER
- letter verifying SER corrections made by validation contractor
- request to sign corrected SER
- send SER to BEOG processor
- send copy of SER to applicant/parent
- instructions to correct erroneous SER or erroneous documentation
- reminders to requests for corrections
- instructions to call validation contractor
- telephone contact attempted, not successful
- letters confirming accuracy of data supplied (acknowledgments)
- letters to expect new SER/award adjustment
- communications with third parties
- communications after grant suspension
- instructions to stop payment
- instructions to release payment after grant suspension

4.3: INSTITUTION REFERRAL PROCEDURES

Data presented in this section refers only to those cases that were processed by the Validation Contractor and ultimately resolved. Validation procedures which were implemented for these cases consisted of the initial request for data, three follow-up actions undertaken for continual non-respondents and various letter communications to respondents, based on the nature of the response (acceptable or unacceptable). Table 4.1 displays the frequency of transactions with students/parents by the reported discrepancy types for all academic years. The purpose of this review is to determine if specific types of reported discrepancies require more or less communications than others.

TABLE 4.1

FREQUENCY OF TRANSACTIONS WITH STUDENT/PARENTS BY REPORTED DISCREPANCY TYPES - ALL YEARS (INSTITUTION REFERRAL)

TRANSACTION TYPE	TOTAL	REPORTED DISCREPANCY TYPES: PRIOR ENROLLMENT	ADJUSTED GROSS INCOME/ TAXES PAID	HOUSEHOLD/ POST-SECONDARY OFFSET AMOUNTS	ASSETS/ EXPENSES	ZERO/ LOW INCOME	OTHER INCOME	MULTIPLE DISCREPANCIES	DEPENDENCY STATUS	OTHER	
TOTAL	3,203	624	1,455	84	13	179	180	338	271	67	SC
	100.0	19.5	45.4	2.6	0.4	5.6	5.6	10.3	8.5	2.1	RC
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	CC
	100.0	19.5	45.4	2.6	0.4	5.6	5.6	10.3	8.5	2.1	MC
CLARIFICATION PRIOR TO INITIAL WRITTEN RESPONSE	105	12	70	3		2	3	6	8	1	SC
	100.0	11.4	66.7	2.9		1.9	2.9	5.7	7.6	1.0	RC
	3.3	1.9	4.8	3.6		1.1	1.7	1.8	3.0	1.5	CC
	3.3	0.4	2.2	0.1		0.1	0.1	0.2	0.2		MC
CLARIFICATION - NOT ELSEWHERE CLASSIFIED	572	74	315	1	3	36	21	56	50	10	SC
	100.0	12.9	55.1	1.2	0.5	6.3	3.7	9.8	8.7	1.7	RC
	17.9	11.9	21.6	8.3	23.1	20.1	11.7	17.0	18.5	14.9	CC
	17.9	2.3	9.8	0.2	0.1	1.1	0.7	1.7	1.6	0.3	MC
SPECIAL LETTER	16	1	7			1	1	5	1		SC
	100.0	6.3	43.8			6.3	6.3	31.3	6.3		RC
	0.5	0.2	0.5			0.6	0.6	1.5	0.4		CC
	0.5		0.2					0.2			MC
INITIAL REQUEST FOR DATA	541	124	217	16	2	31	40	54	43	14	SC
	100.0	22.9	40.1	3.0	0.4	5.7	7.4	10.0	7.9	2.6	RC
	16.9	19.9	14.9	19.0	15.4	17.3	22.2	16.4	15.9	20.9	CC
	16.9	3.9	6.8	0.5	0.1	1.0	1.2	1.7	1.3	0.4	MC
FIRST REMINDER	324	80	120	14		23	18	34	29	6	SC
	100.0	24.7	37.0	4.3		7.1	5.6	10.5	9.0	1.9	RC
	10.1	12.8	8.2	16.7		12.8	10.0	10.3	10.7	9.0	CC
	10.1	2.5	3.7	0.4		0.7	0.6	1.1	0.9	0.2	MC
SECOND REMINDER	33	9	11			2		5	6		SC
	100.0	27.3	33.3			6.1		15.2	18.2		RC
	1.0	1.4	0.8			1.1		1.5	2.2		CC
	1.0	0.3	0.3			0.1		0.2	0.2		MC
THIRD REMINDER	5		2					1	2		SC
	100.0		40.0					20.0	40.0		RC
	0.2		0.1					0.3	0.7		CC
	0.2		0.1						0.1		MC

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Table 4.1 (continued)

FREQUENCY OF TRANSACTIONS WITH STUDENT/PARENT, BY REPORTED DISCREPANCY TYPES - ALL YEARS (INSTITUTION REFERRAL)

TRANSACTION TYPE	TOTAL	REPORTED DISCREPANCY TYPES: PRIOR ENROLLMENT	ADJUSTED GROSS INCOME/ TAXES PAID	HOUSEHOLD/ POST-SECONDARY OFFSET ERRORS	ASSETS/ EXPENSES	ZERO/ LOW INCOME	OTHER INCOME	MULTIPLE DISCREPANCIES	DEPENDENCY STATUS	OTHER	
LAST COMMUNICATION PRIOR TO AWARD CANCELLATION	200	54	78	3		18	6	20	16	5	SC
	100.0	27.0	39.0	1.5		9.0	3.0	10.0	8.0	2.5	RC
	6.2	8.7	5.4	3.6		10.1	3.3	6.1	5.9	7.5	CC
	6.2	1.7	2.4	0.1		0.6	0.2	0.6	0.5	0.2	MC
RECEIVE ACCEPTABLE PRIMARY DOCUMENTATION	42		28	1		3	1	7	2		SC
	100.0		66.7	2.4		7.1	2.4	16.7	4.8		RC
	1.3		1.4	1.2		1.7	0.6	2.1	0.7		CC
	1.3		0.9			0.1		0.2	0.1		MC
RECEIVE INCONSISTENT PRIMARY DOCUMENTATION	52	3	29	2			5	9	4		SC
	100.0	5.8	55.8	3.8			9.6	17.3	7.7		RC
	1.6	0.5	2.0	2.4			2.8	2.7	1.5		CC
	1.6	0.1	0.9	0.1			0.2	0.3	0.1		MC
RECEIVE ACCEPTABLE ALTERNATE DOCUMENTATION	32	1	15			2	4	4	6		SC
	100.0	3.1	46.9			6.3	12.5	12.5	18.8		RC
	1.0	0.2	1.0			1.1	2.2	1.2	2.2		CC
	1.0		0.5			0.1	0.1	0.1	0.2		MC
RECEIVE INCONSISTENT ALTERNATE DOCUMENTATION	22	3	12		1	2	1		3		SC
	100.0	13.6	54.5		4.5	9.1	4.5		13.6		RC
	0.7	0.5	0.8		7.7	1.1	0.6		1.1		CC
	0.7	0.1	0.4			0.1			0.1		MC
PERMISSION TO EXTEND TIME	5	1	1						3		SC
	100.0	20.0	20.0						60.0		RC
	0.2	0.2	0.1						1.1		CC
	0.2								0.1		MC
RECEIVE ACCEPTABLE SER CORRECTION WITH DOCUMENTATION	133	30	61	8	1	3	11	11	5	3	SC
	100.0	22.6	45.9	6.0	0.8	2.3	8.3	8.3	3.8	2.3	RC
	4.2	4.8	4.2	9.5	7.7	1.7	6.1	3.3	1.8	4.5	CC
	4.2	0.9	1.9	0.2		0.1	0.3	0.3	0.2	0.1	MC
RECEIVE ACCEPTABLE SER CORRECTION WITHOUT DOCUMENTATION	76	31	30	1	1		1	4	4	4	SC
	100.0	40.8	39.5	1.3	1.3		1.3	5.3	5.3	5.3	RC

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Table 4.1 (continued)

FREQUENCY OF TRANSACTIONS WITH STUDENT/PARENTS BY REPORTED DISCREPANCY TYPES - ALL YEARS (INSTITUTION REFERRAL)

TRANSACTION TYPE	TOTAL	REPORTED DISCREPANCY TYPES: PRIOR ENROLLMENT	ADJUSTED GROSS INCOME/ TAXES PAID	HOUSEHOLD/ POSTSECONDARY OFFSET ERRORS	ASSETS/ EXPENSES	ZERO/ LOW INCOME	OTHER INCOME	MULTIPLE DISCREPANCIES	DEPENDENCY STATUS	OTHER	
	2.4	5.0	2.1	1.2	7.7		0.6	1.2	1.5	6.0	CC
	2.4	1.0	0.9					0.1	0.1	0.1	MC
RECEIVE UNACCEPTABLE SER CORRECTION WITH DOCUMENTATION	44	1	28	2	1	2	3	3	3	1	SC
	100.0	2.3	63.6	4.5	2.3	4.5	6.8	6.8	6.8	2.3	RC
	1.4	0.2	1.9	2.4	7.7	1.1	1.7	0.9	1.1	1.5	CC
	1.4		0.9	0.1		0.1	0.1	0.1	0.1		MC
RECEIVE UNACCEPTABLE SER CORRECTION WITHOUT DOCUMENTATION	40	8	25	2		1	4				SC
	100.0	20.0	62.5	5.0		2.5	10.0				RC
	1.2	1.3	1.7	2.4		0.6	2.2				CC
	1.2	0.2	0.8	0.1			0.1				MC
RESPONSE NOT SER CORRECTION AND NOT DOCUMENTATION	40	6	19			2	1	6	4	2	SC
	100.0	15.0	47.5			5.0	2.5	15.0	10.0	5.0	RC
	1.2	1.0	1.3			1.1	0.6	1.8	1.5	3.0	CC
	1.2	0.2	0.6			0.1		0.2	0.1	0.1	MC
RESPONSE INAPPROPRIATE OR INCOMPLETE DOCUMENTATION	19	2	9			2	1	5			SC
	100.0	10.5	47.4			10.5	5.3	26.3			RC
	0.8	0.3	0.6			1.1	0.6	1.5			CC
	0.8	0.1	0.3			0.1		0.2			MC
SEND COPY OF SER TO APPLICANT OR INSTRUCTIONS TO REVIEW CORRECTIONS MADE BY VALIDATION CONTRACTOR ON SIGNED SER	32	8	13	1		1	2	4	3		SC
	100.0	25.0	40.6	3.1		3.1	6.3	12.5	9.4		RC
	1.0	1.3	0.9	1.2		0.6	1.1	1.2	1.1		CC
	1.0	0.2	0.4				0.1	0.1	0.1		MC
INSTRUCTIONS TO CORRECT ERRONEOUS SER OR DOCUMENTATION	79	6	43	3	1	1	7	9	9		SC
	100.0	7.6	54.4	3.8	1.3	1.3	8.9	11.4	11.4		RC
	2.5	1.0	3.0	3.6	7.7	0.6	3.9	2.7	3.3		CC
	2.5	0.2	1.3	0.1			0.2	0.3	0.3		MC
FIRST REMINDER	18	3	9	1			1	2	1	1	SC
	100.0	16.7	50.0	5.6			5.6	11.1	5.6	5.6	RC
	0.6	0.5	0.6	1.2			0.6	0.8	0.4	1.5	CC

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Table 4.1 (continued)

FREQUENCY OF TRANSACTIONS WITH STUDENT/PARENT, BY REPORTED DISCREPANCY TYPES - ALL YEARS (INSTITUTION REFERRAL)

TRANSACTION TYPE	TOTAL	REPORTED DISCREPANCY TYPES: PRIOR ENROLLMENT	ADJUSTED GROSS INCOME/ TAXES PAID	HOUSEHOLD/ POST-SECONDARY OFFSET ERRORS	ASSETS/ EXPENSES	ZERO/ LOW INCOME	OTHER INCOME	MULTIPLE DISCREPANCIES	DEPENDENCY STATUS	OTHER	
	0.6	0.1	0.3					0.1			MC
SECOND REMINDER											
INSTRUCTIONS TO CALL VALIDATION CONTRACTOR	13	2	6			2	1	1		1	SC
	100.0	15.4	46.2			15.4	7.7	7.7		7.7	RC
	0.4	0.3	0.4			1.1	0.6	0.3		1.5	CC
	0.4	0.1	0.2			0.1					MC
FIRST REMINDER	1		1								SC
	100.0		100.0								RC
			0.1								CC
											MC
SECOND REMINDER											
INSTRUCTIONS TO SIGN SER	28	7	16	1		1	1	1		1	SC
	100.0	25.0	57.1	3.6		3.6	3.6	3.6		3.6	RC
	0.9	1.1	1.1	1.2		0.6	0.6	0.3		1.5	CC
	0.9	0.2	0.5								MC
FIRST REMINDER											
SECOND REMINDER											
REQUEST PERMISSION TO CONNECT SER	33	2	21	1		1	1	4	3		SC
	100.0	6.1	63.6	3.0		3.0	3.0	12.1	9.1		RC
	1.0	0.3	1.4	1.2		0.6	0.6	1.2	1.1		CC
	1.0	0.1	0.7					0.1	0.1		MC
TELEPHONE CONTACT ATTEMPTED-NOT SUCCESSFUL	224	68	79			18	2	24	27	6	SC
	100.0	30.4	35.3			8.0	0.9	10.7	12.1	2.7	RC
	7.0	10.9	5.4			10.1	1.1	7.3	10.0	9.0	CC
	7.0	2.1	2.5			0.6	0.1	0.7	0.8	0.2	MC
LETTER TO EXPECT NEW SER/ AWARD ADJUSTMENT - APPLICANT CONNECTS AND SIGNS SER	174	45	64	8		8	18	18	8	5	SC
	100.0	25.9	36.8	4.6		4.6	10.3	10.3	4.6	2.9	RC
	5.4	7.2	4.4	9.5		4.5	10.0	5.5	3.0	7.5	CC
	5.4	1.4	2.0	0.2		0.2	0.6	0.6	0.2	0.2	MC

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Table 4.1 (continued)
FREQUENCY OF TRANSACTIONS WITH STUDENT/PARENT, BY REPORTED DISCREPANCY TYPES - ALL YEARS (INSTITUTION REFERRAL)

TRANSACTION TYPE	TOTAL	REPORTED DISCREPANCY TYPES: PRIOR ENROLLMENT	ADJUSTED GROSS INCOME/ TAXES PAID	HOUSEHOLD/ POSTSECONDARY OFFSET ERRORS	ASSETS/ EXPENSES	ZERO/ LOW INCOME	OTHER INCOME	MULTIPLE DISCREPANCIES	DEPENDENCY STATUS	OTHER	
LETTER TO EXPECT NEW SER/ AWARD ADJUSTMENT - APPLICANT SIGNS SER AND VALIDATION CONTRACTOR CORRECTS SER	32	1	23	2			1	3	2		SC
	100.0	3.1	71.9	6.3			3.1	9.4	6.3		RC
	1.0	0.2	1.0	2.4			0.6	0.9	0.7		CC
	1.0		0.7	0.1				0.1	0.1		MC
LETTER TO EXPECT NEW SER/ AWARD ADJUSTMENT - VALIDATION CONTRACTOR SIGNS SER AND APPLICANT CORRECTS SER	1						1				SC
	100.0						100.0				RC
							0.6				CC
											MC
LETTER TO EXPECT NEW SER/ AWARD ADJUSTMENT - VALIDATION CONTRACTOR SIGNS AND CORRECTS SER											
ADKNOWLEDGEMENT	23	1	12	2		1		4	3		SC
	100.0	4.3	52.2	8.7		4.3		17.4	13.0		RC
	0.7	0.2	0.8	2.4		0.6		1.2	1.1		CC
	0.7		0.4	0.1				0.1	0.1		MC
COMMUNICATION WITH OE	1		1								SC
	100.0		100.0								RC
			0.1								CC
											MC
COMMUNICATION WITH ACT	2		2								SC
	100.0		100.0								RC
	0.1		0.1								CC
	0.1		0.1								MC
DETERMINE AWARD											
OTHER THIRD PARTY COMMUNICATION	7	1	3	1		1			1		SC
	100.0	14.3	42.9	14.3		14.3			14.3		RC
	0.2	0.2	0.2	1.2		0.6			0.4		CC
	0.2		0.1								MC

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Table 4.1 (continued)

FREQUENCY OF TRANSACTIONS WITH STUDENT/PARENT, BY REPORTED DISCREPANCY TYPES - ALL YEARS (INSTITUTION REFERRAL)

TRANSACTION TYPE	TOTAL	REPORTED DISCREPANCY TYPES: PRIOR ENROLLMENT	ADJUSTED GROSS INCOME/ TAXES PAID	HOUSEHOLD/ POST-SECONDARY OFFSET ERRORS	ASSETS/ EXPENSES	ZERO/ LOW INCOME	OTHER INCOME	MULTIPLE DISCREPANCIES	DEPENDENCY STATUS	OTHER	
COMMUNICATION AFTER CLOSURE OR NOTIFICATION OF GRANT SUSPENSION	84	9	27	3		7	6	15	13	4	SC
	100.0	10.7	32.1	3.6		8.3	7.1	17.9	15.5	4.8	RC
	2.6	1.4	1.9	3.6		3.9	3.3	4.5	4.8	6.0	CC
	2.6	0.3	0.8	0.1		0.2	0.2	0.5	0.4	0.1	MC
INSTRUCTIONS TO PROVIDE ADDITIONAL DOCUMENTATION	1		1								SC
	100.0		100.0								RC
			0.1								CC
											MC
FIRST REMINDER											
SECOND REMINDER											
REPORT OF APPARENT DISCREPANCY	5	1	3					1			SC
	100.0	20.0	60.0					20.0			RC
	0.2	0.2	0.2					0.3			CC
	0.2		0.1								MC
INSTRUCTIONS TO CONTINUE PAYMENT UNTIL FURTHER NOTICE											
INSTRUCTIONS TO STOP PAYMENTS UNTIL FURTHER NOTICE	1	1									SC
	100.0	100.0									RC
		0.2									CC
											MC
INSTRUCTIONS TO CONTINUE PAYMENTS - CASE NOT VALID FOR FOLLOW-UP											
ACKNOWLEDGEMENT THAT CASE HAS BEEN RESOLVED BY INSTITUTION	1										
INSTRUCTIONS TO RELEASE PAYMENTS ON NOTIFICATION OF RELEASE OF GRANT SUSPENSION	121	22	50	2	2	6	18	9	10	2	SC
	100.0	18.2	41.3	1.7	1.7	5.0	14.9	7.4	8.3	1.7	RC
	3.8	3.5	3.4	2.4	15.4	3.4	10.0	2.7	3.7	3.0	CC

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Table 4.1 (continued)

FREQUENCY OF TRANSACTIONS WITH STUDENT/PARENTS BY REPORTED DISCREPANCY TYPES - ALL YEARS (INSTITUTION REFERRAL)

		REPORTED DISCREPANCY TYPES										
TRANSACTION TYPE	TOTAL	PRIOR ENROLLMENT	ADJUSTED GROSS INCOME/ TAXES PAID	HOUSEHOLD/ POSTSECONDARY OFFSET ERRORS	ASSETS/ EXPENSES	ZERO/ LOW INCOME	OTHER INCOME	MULTIPLE DISCREPANCIES	DEPENDENCY STATUS	OTHER	
	3.8	0.7	1.6	0.1	0.1	0.2	0.6	0.3	0.3	0.1	MC
INSTRUCTIONS NOT TO MAKE ANY AWARD ADJUSTMENTS											
RESPONSE RECEIVED - DISPOSITION NOT DETERMINED	5		1			2			2		SC
	100.0		20.0			40.0			40.0		RC
	0.2		0.1			1.1			0.7		CC
	0.2					0.1			0.1		MC
OTHER	17	7	3		1			5		1	SC
	100.0	41.2	17.6		5.9			29.4		5.9	RC
	0.5	1.1	0.2		7.7			1.5		1.5	CC
	0.5	0.2	0.1					0.2			MC

Overall, the most frequent transaction types recorded were all types of clarifications, i.e., phone calls (21.2%), initial requests (16.9%) and first reminders (10.1%). Of the 3,203 total transactions, nearly half (45.4%) involved communications regarding reported adjusted gross income/taxes paid errors, followed in frequency by prior enrollment discrepancies (19.5%) and multiple discrepancies (10.3%). The high rate at which adjusted gross income discrepancy transactions occurred is directly related to the fact that this error was the most common discrepancy reported by institutions.

Although adjusted gross income errors were the predominant type of case validated in the Institution Referral Study, several transactions were characteristically more frequent in other types of discrepancies. Specifically, applicants referred for errors in adjusted gross income and taxes paid had the lowest rate of first reminder transactions (8.2%) when compared to other frequent referrals (12.8% of prior enrollment, 10.3% multiple discrepancies). In addition, the rate at which all other follow-up activities occurred for AGI/taxes paid discrepancies was also lower than for other types of discrepancies.

The overall frequency of response transactions indicates that slightly more acceptable responses were received (8.9%) than unacceptable responses (6.7%) with no great differences in the number of transactions noted for each discrepancy type. In terms of the relative number of telephone calls attempted in which no contact was established, the types of cases which required the most calls were zero/low income, prior enrollment and dependency status errors (10.1%, 10.9%, and 10.0% of total transactions, respectively). This finding corresponds to the overall greater frequency of transactions required for these particular types of errors.

A major concern in conducting the 1976-77 validation was the amount of follow-up letters which were necessary because applicants failed to respond to the original request for documentation

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and SER correction. Table 4.1 indicates that 324 first reminder letters were mailed to applicants whose cases were resolved at the time this report was prepared (528 cases). Therefore, nearly 60 percent of the cases being studied required the first follow-up letter. This proportion is somewhat larger than the corresponding finding obtained in the 1975-76 validation in which 47.8% of the applicants were mailed the first follow-up letter. These results, however, cannot be used as absolute indicators of the rate at which first follow-up letters are required due to the ongoing processing flow of the Institution Referral study; at the time this report was prepared, several institution referral cases had just been opened and had not reached the point in the follow-up cycle which determines whether or not further follow-up is necessary.

Of particular interest in studying the effectiveness of the procedures used in the 1976-77 validation was the rate at which students responded accurately to each validation procedural letter, i.e., the proportion of first, second and third responses which were complete and accurate. This section examines the distribution of responses received in the Institution Referral Study to each successive letter by the type of discrepancy.

Table 4.2 presents this distribution of first responses by each discrepancy type for referrals spanning all academic years. Data is based on a total of 359 first responses received from applicants contacted in the Institution Referral Study. Of these 359 responses, nearly one-third (32.9%) were acceptable SER corrections. However, 55.5 percent (199 of 359) were <u>not</u> acceptable SER corrections or acceptable documentation, therefore, less than half of the first responses were acceptable. Each of these unacceptable cases required further follow-up activities to obtain an appropriate response. Of all discrepancy types reported, household size/postsecondary enrollment cases and prior enrollment cases exhibited the best rates of providing acceptable responses in the first response cycle (61.5% and 60.9%, respectively).

TABLE 4.2

DISTRIBUTION OF FIRST RESPONSES BY REPORTED DISCREPANCY TYPES - ALL YEARS (INSTITUTION REFERRAL)

RESPONSE TYPE	TOTAL	REPORTED DISCREPANCY TYPES: PRIOR ENROLLMENT	ADJUSTED GROSS INCOME/ TAXES PAID	HOUSEHOLD/ POST-SECONDARY OFFSET ERRORS	ASSETS/ EXPENSES	ZERO/ LOW INCOME	OTHER INCOME	MULTIPLE DISCREPANCIES	DEPENDENCY STATUS	OTHER	
TOTAL	354	74	167	13	2	17	22	32	24	8	SC
	100.0	20.6	46.5	3.6	0.6	4.7	6.1	8.9	6.7	2.2	RC
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	CC
	100.0	20.6	46.5	3.6	0.6	4.7	6.1	8.9	6.7	2.2	MC
ACCEPTABLE DOCUMENTATION	42	1	21	1		4	3	7	5		SC
	100.0	2.4	50.0	2.4		9.5	7.1	16.7	11.9		RC
	11.7	1.4	12.6	7.7		23.5	13.6	21.9	20.8		CC
	11.7	0.3	5.8	0.3		1.1	0.8	1.9	1.4		MC
ACCEPTABLE SEM CONNECTION	118	44	44	7		1	6	7	4	5	SC
	100.0	37.3	37.3	5.9		0.8	5.1	5.9	3.4	4.2	RC
	32.9	59.5	26.3	53.8		5.9	27.3	21.9	16.7	62.5	CC
	32.9	12.3	12.3	1.9		0.3	1.7	1.9	1.1	1.4	MC
UNACCEPTABLE SEM CONNECTION	67	9	39	4	1	3	6	2	2	1	SC
	100.0	13.4	58.2	6.0	1.5	4.5	9.0	3.0	3.0	1.5	RC
	18.7	12.2	23.4	30.8	50.0	17.6	27.3	6.3	8.3	12.5	CC
	18.7	2.5	10.9	1.1	0.3	0.8	1.7	0.6	0.6	0.3	MC
UNACCEPTABLE DOCUMENTATION	58	6	32	1	1	3	4	7	6		SC
	100.0	10.4	55.3	1.7	1.7	5.0	6.7	11.7	10.0		RC
	16.7	8.1	19.2	7.7	50.0	17.6	18.2	21.9	25.0		CC
	16.7	1.7	8.9	0.3	0.3	0.8	1.1	1.9	1.7		MC
ALL OTHER RESPONSES	72	14	31			6	3	9	7	2	SC
	100.0	19.4	43.1			8.3	4.2	12.5	9.7	2.8	RC
	20.1	18.9	18.6			35.3	13.6	28.1	29.2	25.0	CC
	20.1	3.9	8.9			1.7	0.8	2.5	1.9	0.6	MC

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These findings differ from the results obtained in the 1975-76 validation in which more adjusted gross income cases were resolved after receipt of the first response (56.3%) in comparison to the acceptable responses for adjusted gross income cases in the current validation (38.9%).

The relatively high rate of unacceptable responses received as a first response may be attributed to several factors. First, it should be noted that 20.1 percent of the responses did not involve SER corrections or documentation at all. This number is slightly lower than the amount of this response type received last year (23.1%). In addition, many SERs were submitted with corrections but were lacking appropriate signatures or were corrected inappropriately.

In comparison to the results obtained in the 1975-76 validation study, the number of acceptable documents received as a first response increased by 2.4 percent. The following text table exhibits the comparison of first responses from the 1975-76 validation study with the first responses received in the 1976-77 validation.

Comparison of First Responses
Received in 1975-76 and 1976-77 Validations

Response Type	1975-76 %	1976-77 %
Total	100.0	100.0
Acceptable Documentation	9.3	11.7
Acceptable SER Correction	49.0	32.9
Unacceptable SER Correction	4.6	18.3
Unacceptable Documentation	13.9	16.7
All Other Responses	23.1	20.1

4.15

Table 4.3 exhibits the distribution of second responses by each discrepancy type for all years. Data in this table is based upon 157 responses received after a second request for information was made, in most cases. Of these 157 responses, 63.1 percent (99 of 157) were acceptable SER corrections or acceptable supporting documentation. Thus, second responses received from applicants increased in acceptability by nearly 10 percent. It should be noted that of the remaining 58 unacceptable responses, 26 were cases which were reported as errors in adjusted gross income or taxes paid. Specifically, 83.3 percent of the unacceptable SER corrections (10 of 12) and 52.6 percent of the unacceptable documentation responses (10 of 19) were in cases with adjusted gross income errors reported by institutions. Further examination of this predominance of unresolved adjusted gross income errors, indicates that the 10 unacceptable SER corrections and the 10 unacceptable documentation responses were 1975-76 cases exclusively. The fact that the majority of unacceptable second responses were adjusted gross income discrepancies on 1975-76 Basic Grant applications may be explained by the following observation.

Since the validation of institutionally referred cases included discrepancies in all academic years in which the Basic Grant Program has been in existence, and thus required applicants to send in documentation from previous years, this immediately presented greater room for error in responding. For example, a case referred to the validation office early in the 1976-77 academic year, involving an income discrepancy on the 1975-76 application requires that the students provide income documents explaining their income from yet an earlier year--1974. Apparently, there were several instances of student/parent confusion over which year's tax form to provide or which year's SER to correct. It has been noted, both in the current validation and in the previous validation, that respondents frequently provide their most current SERs and current income data even though the procedural letters emphasize which year's documents should be provied by underlining and repeating the year several times.

TABLE 4.3

DISTRIBUTION OF SECOND RESPONSES BY REPORTED DISCREPANCY TYPES - ALL YEARS (INSTITUTION REFERRAL)

RESPONSE TYPE	TOTAL	REPORTED DISCREPANCY TYPES: PRIOR ENROLLMENT	ADJUSTED GROSS INCOME/ TAXES PAID	HOUSEHOLD/ POST-SECONDARY OFFSET ERRORS	ASSETS/ EXPENSES	ZERO/ LOW INCOME	OTHER INCOME	MULTIPLE DISCREPANCIES	DEPENDENCY STATUS	OTHER	
TOTAL	157	22	79	4	1	6	10	17	13	5	SC
	100.0	14.0	50.3	2.5	0.6	3.8	6.4	10.8	8.3	3.2	RC
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	CC
	100.0	14.0	50.3	2.5	0.6	3.8	6.4	10.8	8.3	3.2	MC
ACCEPTABLE DOCUMENTATION	26		16			1	2	4	3		SC
	100.0		61.5			3.8	7.7	15.4	11.5		RC
	16.6		20.3			16.7	20.0	23.5	23.1		CC
	16.6		10.2			0.6	1.3	2.5	1.9		MC
ACCEPTABLE SEM CORRECTION	73	15	37	2	1	2	5	6	3	2	SC
	100.0	20.5	50.7	2.7	1.4	2.7	6.8	8.2	4.1	2.7	RC
	46.5	68.2	46.8	50.0	100.0	33.3	50.0	35.3	23.1	40.0	CC
	46.5	9.6	23.6	1.3	0.6	1.3	3.2	3.8	1.9	1.3	MC
UNACCEPTABLE SEM CORRECTION	12		10				1		1		SC
	100.0		83.3				8.3		8.3		RC
	7.6		12.7				10.0		7.7		CC
	7.6		6.4				0.6		0.6		MC
UNACCEPTABLE DOCUMENTATION	19	1	10	1		1		5	1		SC
	100.0	5.3	52.6	5.3		5.3		26.3	5.3		RC
	12.1	4.5	12.7	25.0		16.7		29.4	7.7		CC
	12.1	0.6	6.4	0.6		0.6		3.2	0.6		MC
ALL OTHER RESPONSES	27	6	6	1		2	2	2	5	3	SC
	100.0	22.2	22.2	3.7		7.4	7.4	7.4	18.5	11.1	RC
	17.2	27.3	7.6	25.0		33.3	20.0	11.8	38.5	60.0	CC
	17.2	3.8	3.8	0.6		1.3	1.3	1.3	3.2	1.9	MC

4.17

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In the third correspondence cycle, the distribution of acceptable and unacceptable responses shifted back to an almost equal proportion of each type of response (44.8 percent acceptable and 55.3 percent unacceptable). Table 4.4 exhibits this distribution of third responses. However, within the various types of unacceptable responses, the number of unacceptable documents was substantially higher than the number of unacceptable SER corrections (26.3% vs. 7.9%). This may be attributed to the fact that the validation contractor was allowed to make corrections on SERs, when documentation had been provided to support the necessity of making the corrections, thus, decreasing the possibility of receiving unacceptable SER corrections by the time of the third response cycle. However, requesting further documentation required the applicant to respond solely on his/her own knowledge and understanding of the requirements set forth in the procedural letter. Thus, it was expected that the proportion of unacceptable SER corrections would significantly decrease by the time of the second and third response cycles.

In summary, it appears that applicants who have taken the effort to respond a second time have responded correctly at a much higher rate than the acceptable response rate encountered in the first and third responses. The tendency for third responses to contain an almost equal balance of unacceptable and acceptable response types may be attributed to the observation that many applicants who demonstrate a misunderstanding of the requirements set forth in the validation effort often continue to respond incorrectly, even after several lengthy explanations have been provided.

A comparison of the proportions of acceptable and unacceptable responses received in each response cycle for the 1975-76 and 1976-77 validation is presented in the following text table:

TABLE 4.4

DISTRIBUTION OF THIRD RESPONSES BY REPORTED DISCREPANCY TYPES - ALL YEARS (INSTITUTION REFERRAL)

RESPONSE TYPE	TOTAL	PRIOR ENROLLMENT	ADJUSTED GROSS INCOME/ TAXES PAID	HOUSEHOLD/ POST-SECONDARY OFFSET ERRORS	ASSETS/ EXPENSES	ZERO/ LOW INCOME	OTHER INCOME	MULTIPLE DISCREPANCIES	DEPENDENCY STATUS	OTHER	
TOTAL	38	3	19		1	1	5	6	3		SC
	100.0	7.9	50.0		2.6	2.6	13.2	15.8	7.9		RC
	100.0	100.0	100.0		100.0	100.0	100.0	100.0	100.0		CC
	100.0	7.9	50.0		2.6	2.6	13.2	15.8	7.9		MC
ACCEPTABLE DOCUMENTATION	5		5								SC
	100.0		100.0								RC
	13.2		26.3								CC
	13.2		13.2								MC
ACCEPTABLE SER CORRECTION	12	1	5		1		1	2	2		SC
	100.0	8.3	41.7		8.3		8.3	16.7	16.7		RC
	31.6	33.3	26.3		100.0		20.0	33.3	66.7		CC
	31.6	2.6	13.2		2.6		2.6	5.3	5.3		MC
UNACCEPTABLE SER CORRECTION	3		2					1			SC
	100.0		66.7					33.3			RC
	7.9		10.5					16.7			CC
	7.9		5.3					2.6			MC
UNACCEPTABLE DOCUMENTATION	10	1	5				3	1			SC
	100.0	10.0	50.0				30.0	10.0			RC
	26.3	33.3	26.3				60.0	16.7			CC
	26.3	2.6	13.2				7.9	2.6			MC
ALL OTHER RESPONSES	8	1	2			1	1	2	1		SC
	100.0	12.5	25.0			12.5	12.5	25.0	12.5		RC
	21.1	33.3	10.5			100.0	20.0	33.3	33.3		CC
	21.1	2.6	5.3			2.6	2.6	5.3	2.6		MC

REPORTED DISCREPANCY TYPES

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Comparison of Response Types in Each Response Cycle Between 1975-76 and 1976-77 Validaton Studies

	1975-76		1976-77	
Time of Response	% Acceptable	% Unacceptable	% Acceptable	% Unacceptable
First Response	58.3	41.6	44.6	55.3
Second Response	59.4	40.7	63.2	36.9
Third Response	*	*	44.8	55.3

As can be seen from this comparison, more acceptable responses were received in the first response cycle in the 1975-76 validation than in the 1976-77 validation, however in the second response cycle this situation was reversed; 3.8 percent more acceptable responses were received in the second response cycle of the 1976-77 validation. Although this difference is slight, the increase in acceptable responses may be partially attributed to the change in validation procedures mentioned earlier in this report, i.e., the procedure in which the validation contractor makes SER corrections in cases substantiated by documentation and in which a signed SER has been provided.

Table 4.5 displays a breakdown of transactions in terms of those initiated by the contractor and those initiated by the student/parent by each type of referral from all academic years. Data in this table is based on a total of 3,180 transactions for 528 cases or an average of 6.0 transactions per case. Of all letters initiated by the validation contractor, household/ postsecondary enrollment, multiple errors and zero/low income cases

* No numbers are provided for the proportion of acceptable and unacceptable third responses due to the fact that so few responses were received, i.e. only 5 unacceptable responses were received.

TABLE 4.5

MEAN NUMBER OF STUDENT/PARENT TRANSACTIONS BY REPORTED DISCREPANCY TYPES - ALL YEARS (INSTITUTION REFERRAL)

TRANSACTION TYPE	TOTAL	PRIOR ENROLLMENT	ADJUSTED GROSS INCOME/ TAXES PAID	HOUSEHOLD/ POSTSECONDARY OFFSET ERRORS	ASSETS/ EXPENSES	ZERO/ LOW INCOME	OTHER INCOME	MULTIPLE DISCREPANCIES	DEPENDENCY STATUS	OTHER	
				REPORTED DISCREPANCY TYPES							
TOTAL	528	120	214	16	2	30	40	52	40	14	SC
	3,160	622	1,450	84	13	179	167	329	269	67	SV
	6.0	5.2	6.8	5.3	6.5	6.0	4.2	6.3	6.7	4.8	MN
LETTERS INITIATED BY VALIDATION CONTRACTOR	528	120	214	16	2	30	40	52	40	14	SC
	1,628	365	671	54	9	97	105	171	124	35	SV
	3.1	3.0	3.1	3.4	3.0	3.2	2.6	3.3	3.1	2.5	MN
LETTERS INITIATED BY APPLICANT/PARENT	528	120	214	16	2	30	40	52	40	14	SC
	574	100	278	17	4	26	38	57	41	13	SV
	1.1	0.8	1.3	1.1	2.0	0.9	1.0	1.1	1.0	0.9	MN
TELEPHONE CALLS INITIATED BY VALIDATION CONTRACTOR	528	120	214	16	2	30	40	52	40	14	SC
	447	97	207	5		25	11	42	48	12	SV
	0.8	0.8	1.0	0.3		0.8	0.3	0.8	1.2	0.9	MN
TELEPHONE CALLS INITIATED BY APPLICANT/PARENT	528	120	214	16	2	30	40	52	40	14	SC
	331	60	294	8	3	31	13	59	56	7	SV
	1.0	0.5	1.4	0.5	1.5	1.0	0.3	1.1	1.4	0.5	MN

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required the most letters (3.4, 3.3, and 3.2 on the average, respectively). However, of all letters initiated by applicants/parents, cases reported as asset errors were found to have the highest number of letters from the student, i.e., an average of 2.0 letters per case. This average was obtained from only two reported asset cases which were resolved, however, it has been noted that asset cases characteristically require that applicants provide lengthy written explanations of financial circumstances before resolution can be accomplished. Another interesting observation which supports the assertion that asset cases require a large number of transactions is evidenced in the finding that asset discrepancies contained the most telephone calls initiated by applicants/parents (1.5 per case) of all discrepancy types. The overall findings resulting from this table indicate that reported adjusted gross income errors required the most overall transactions (6.8) whereas non-taxable income errors required the least (4.2).

A comparison of the average number of student/parent transactions between the 1975-76 validation and the 1976-77 validation is presented in the following text table:

Comparison of Mean Student/Parent Transactions Between 1975-76 and 1976-77 Validation Studies

	1975-76	1976-77
Total	4.7	6.0
Letters Initiated by Contractor	3.0	3.1
Letters Initiated by Applicant/Parent	1.1	1.1
Calls Initiated by Contractor	.3	.9
Calls Initiated by Student/Parent	.2	1.0

As can be seen from this summary table, the overall number of transactions increased in the 1976-77 validation, primarily as a result of an increased number of telephone calls made by both the validation contractor and applicants/parents. This predominance of phone calls may be attributed to several factors. First, a telephone follow-up was utilized for institutionally referred cases prior to the modification of validation procedures implemented in the middle of the contract year which eliminated the telephone follow-up. In addition, in those instances in which erroneous responses were received from students which were easily resolvable, a telephone call was often used to relay relatively small amounts of information to applicants in order to obtain an accurate response (e.g., the lack of a signature on a corrected SER or the necessity of providing one document). The probability of reaching students referred by institutions via the telephone was often increased by the fact that some financial aid officers included telephone numbers in the cases referred. Because of these factors, many calls were initiated by the contractor. The most significant change is found in the number of calls initiated by students/parents, i.e., an increase of .8 percent. The increased rate of calls initiated by applicants/parents may be a function of the complexity of letters (primarily the initial contact letter) and the amount of data requested. Many referrals received from institutions during the validation year involved multiple discrepancies which required students and parents to provide several documents. Very often, a response would contain one or more of the documents requested but would be lacking a part of the overall request.

The pattern of transactions between the validation contractor and institutions/third parties differs slightly from the transactions with students/parents. Table 4.6 exhibits this information. The total of 1,882 transactions is based upon the 528 cases which were resolved at the time this report was prepared. Whereas

TABLE 4.6

MEAN NUMBER OF INSTITUTION/THIRD PARTY TRANSACTIONS BY REPORTED DISCREPANCY TYPES - ALL YEARS (INSTITUTION REFERRAL)

TRANSACTION TYPE	TOTAL	REPORTED DISCREPANCY TYPES: PRIOR ENROLLMENT	ADJUSTED GROSS INCOME/ TAXES PAID	HOUSEHOLD/ POST-SECONDARY OFFSET ERRORS	ASSETS/ EXPENSES	ZERO/ LOW INCOME	OTHER INCOME	MULTIPLE DISCREPANCIES	DEPENDENCY STATUS	OTHER	
TOTAL	520	120	214	16	2	30	40	52	40	14	SC
	1,182	468	763	53	8	130	123	172	140	65	SV
	3.6	3.9	3.6	3.3	4.0	4.3	3.1	3.3	3.5	4.6	MN
LETTERS INITIATED BY VALIDATION CONTRACTOR	520	120	214	16	2	30	40	52	40	14	SC
	399	212	309	32	5	43	75	65	60	18	SV
	1.7	1.8	1.4	2.0	2.5	1.4	1.9	1.3	1.5	1.3	MN
LETTERS INITIATED BY INSTITUTION/THIRD PARTY	520	120	214	16	2	30	40	52	40	14	SC
	324	74	142	5	2	20	19	27	29	11	SV
	0.6	0.6	0.7	0.3	1.0	0.7	0.5	0.5	0.7	0.8	MN
TELEPHONE CALLS INITIATED BY VALIDATION CONTRACTOR	520	120	214	16	2	30	40	52	40	14	SC
	447	143	143	12	1	45	19	65	37	29	SV
	0.9	1.2	0.7	0.8	0.5	1.5	0.5	1.3	0.9	2.1	MN
TELEPHONE CALLS INITIATED BY INSTITUTION/THIRD PARTY	520	120	214	16	2	30	40	52	40	14	SC
	137	37	41	4		22	11	15	14	7	SV
	0.3	0.3	0.2	0.3		0.7	0.3	0.3	0.4	0.5	MN

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the majority of student/parent transactions were conducted in cases involving adjusted gross income errors, the greatest number of institution/third party transactions occurred in cases of "other discrepancy types" such as reported errors in citizenship, and veteran's benefits (4.6), followed by zero/low income (4.3) and asset (4.0) errors. The discrepancy types which required the most letters initiated by the validation contractor were assets (2.5) and household size/postsecondary enrollment (2.0).

Combining information in Tables 4.5 and 4.6, institution referral cases for all years entailed an average of 9.6 transactions with students, parents, institutions and third parties prior to resolution or closure of each case. Nearly 69 percent of all of these transactions were initiated by the validation contractor. The frequency of the transactions for the number of validation cases in both the 1975-76 and the 1976-77 validation efforts are shown in the text table which follows.

Comparison of Frequency of Transactions
Between 1975-76 and 1976-77 Validation Studies

Validation Year	Total Cases	Transactions
1975-76	521	7.7
1976-77	525	9.6

This increase in the average number of transactions for approximately the same number of cases suggests that more communications were necessary to resolve cases in the 1976-77 validation than encountered in the 1975-76 validation. This may have been due to the complexity of the procedural letters in terms of documentation requests (for multiple items and multiple years). With this data at hand, it is recommended that consideration be given to simplifying the Institution Referral procedural letters.

4.4: PRE-ESTABLISHED CRITERIA STUDY RESULTS

In general, the validation procedures used in conducting the Pre-established Criteria Study were similar to those used in the Institution Referral Study; however there were several variations. One difference was that the telephone follow-up utilized in the 1975-76 validation was not implemented for the 1976-77 validation due to the lack of success encountered in using this method of correspondence in the 1975-76 Pre-established Criteria Study. It should be noted, however, that telephone contacts were used in some instances to obtain applicant/parent permission to make further corrections on responses which contained a signed SER and supporting documentation. Also, one of the most striking differences between the two individual validation studies was that applicants selected according to pre-established criteria were not subjected to a withholding of their Basic Grant awards at the beginning of the correspondence cycle which often provides a stimulus for students to respond within a quicker period of time. It should be noted that in both studies, non-respondents were subjected to suspension of Basic Grant awards and their names were reported to the processing contractor so that any future applications would be flagged until a complete and accurate response was provided to the validation contractor.

An assessment of the effectiveness of the validation procedures conducted during the peak response period of the 1976-77 validation contract revealed that unacceptable responses were occurring at a greater frequency than could be efficiently processed, therefore some procedural changes were developed and instituted for the remainder of the contract. Essentially, the changes decreased the number of follow-up letters from three to two (a certified first follow-up and a final follow-up), and changed the procedure for handling inappropriate/incomplete responses. This procedure was modified from individual explanation of errors to a form letter stating the specific time requirements and consequences of non-response, supplemented by one or more attachments requesting specific documentation. SER

corrections or explanations. The results of these procedures are of particular interest to the Office of Education and are thus reflected in the following tables and discussions.

Table 4.7 presents the overall frequency of transactions conducted in the Pre-established Criteria Study and their relationship to each discrepancy type. Of particular interest in this table, is the number of communications (and amount of effort) expended in contacting individuals whose cases were closed without determining what discrepancy, if any, existed. Nearly half (47.3%) of all communications with students/parents occurred in this category. For those cases in which errors were identified, a total of 3,514 communications (21.3%) were exchanged with students whose SERs contained multiple errors - less than half the number of transactions required in dealing with unknown discrepancy types. This table indicates that of the 3,276 resolved cases which were validated, over half (1,741) received first reminders for data. In turn, over half of the cases receiving first reminders received second reminders (1024 of 1741). In both reminder letters, the discrepancy types requiring those letters most frequently, were those cases determined to have unknown errors, no errors and taxes paid errors. A comparison of the frequency of follow-up letters between the 1976-77 and 1975-76 validation studies is shown in the following text table:

Comparison of Follow-up Rates between 1976-77 and 1975-76 Validation Studies

	1976-77 %	1975-76 %
Cases Requiring First Follow-up	53.1	54.3
Cases Requiring Second Follow-up	58.8	56.1
Additional Follow-ups	*	*

*No comparison is made between any additional follow-ups implemented in the two studies, since the procedures differed at this point in the follow-up cycle. Specifically, the 1975-76 validation included a telephone follow-up, whereas the 1976-77 study adopted a new final follow-up letter midway in the conduct of the validation explaining the consequences of continued non-response. (namely suspension of the BEOG award (See page 4.26).

TABLE 4.7

FREQUENCY OF EMPLOYEES WITH SOME HANDICAP BY DISCRIMINATORY TYPE (PRE-ESTABLISHED CRITERIA)

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		DISCRIMINATORY TYPE									
HANDICAPPING TYPE	TOTAL	ASSISTED INCOME EARNERS	TAXES PAID EARNERS	OTHER INCOME EARNERS	MORTGAGE AND OFFSET EARNERS	ASSETS/ EXPENSES EARNERS	DEPENDENT SPOUSE STATUS	OTHER	MULTIPLE	NONE	UNKNOWN	
TOTAL	10,562	1,492	1,330	345	476	3		46	3,514	1,602	7,847	SC
	100.0	14.2	9.2	2.4	2.4			0.3	21.3	7.3	47.5	RC
	100.0	100.0	100.0	100.0	100.0	100.0		100.0	100.0	100.0	100.0	CC
	10,562	19.2	9.2	2.4	2.4			0.3	21.3	7.3	47.5	MC
VERIFICATION FROM AN EXTERNAL AGENCY MEDICARE	402	82	70	21	21			3	149	28	102	SC
	100.0	17.0	14.2	4.4	5.0			0.6	30.9	5.8	21.2	RC
	4.9	4.8	5.2	5.3	5.1			6.5	4.2	2.3	1.3	CC
	4.1	0.5	0.4	0.1	0.2				0.4	0.2	0.6	MC
VERIFICATION - NOT DISCREPANCY CLASSIFIED	415	72	54	26	10			6	170	54	211	SC
	100.0	11.1	7.6	4.2	2.4			1.4	27.6	8.8	34.3	RC
	3.1	4.3	4.4	5.6	3.5			13.0	4.8	4.5	2.7	CC
	3.1	0.4	0.4	0.2	0.1				1.0	0.3	1.3	MC
SPECIAL SECTION	20	3	4	2	2			2	8	2	5	SC
	100.0	11.5	7.1	7.7	7.1			7.7	30.8	7.7	19.2	RC
	0.2	0.2	0.1	0.5	0.4			4.3	0.2	0.2	0.1	CC
	0.2											MC
INITIAL REQUEST FOR DATA	3,018	388	296	70	88	1		6	541	283	1,660	SC
	100.0	9.4	7.9	2.1	2.1			0.2	18.3	8.6	50.7	RC
	14.8	14.2	14.2	17.1	18.0	33.3		13.0	17.1	23.5	21.2	CC
	14.3	1.9	1.6	0.4	0.3				3.6	1.7	10.0	MC
FINAL REQUEST	1,481	82	54	14	14			1	130	63	1,393	SC
	100.0	5.0	3.7	0.9	0.8			0.1	7.5	3.6	80.0	RC
	10.3	5.7	4.1	3.5	3.0			2.2	3.7	3.2	17.8	CC
	10.3	0.4	0.3	0.1	0.1				0.4	0.4	0.4	MC
SECOND REQUEST	1,024	24	22	6	2				21	23	944	SC
	100.0	2.3	2.1	0.6	0.2				2.0	2.2	97.3	RC
	7.1	1.4	1.3	0.5	0.1				1.5	1.4	11.4	CC
	7.1	0.1	0.1						0.3	0.1	5.4	MC
DISCREPANCIES BY CORRECT EARNER NEVER SEEN OR SHOULD HAVE BEEN WITH INTERMEDIARY OPERATION	511	24	22	11	4				130	13	301	SC
	100.0	4.7	4.3	2.1	1.0				25.3	2.5	58.7	RC
	3.5	1.6	1.7	3.2	1.0				3.7	1.1	2.8	CC
	3.5	0.1	0.1	0.1	0.1				0.9	0.1	1.9	MC

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Table 4.7 (continued)

FREQUENCY OF TAX SECTIONS WITH STOCHASTIC DISCREPANCY TYPE (PRE-ESTABLISHED CRITERIA)

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TRANSACTION TYPE	TOTAL	ADJUSTED GROSS INCOME ERRORS	TAXES PAID ERRORS	OTHER INCOME ERRORS	HOUSEHOLD/POST-SECONDARY OFFSET ERRORS	ASSETS/EXPENSES ERRORS	DEPENDENCY STATUS	OTHER	MULTIPLE	NONE	UNKNOWN	
LAST COMMUNICATION PRIOR TO AUDIT CORRELATION	1,333	19	23	4	1			1	35	30	1,247	
	100.0	1.4	1.8	0.6	0.3			0.1	3.9	2.2	84.5	SC
	5.4	1.1	1.8	2.3	1.3			2.2	1.6	2.5	13.9	MC
	5.4	0.1	0.2	0.1					0.3	0.2	1.5	CC
												MC
RELIVE ACCEPTABLE PRIMARY DOCUMENTATION	510	35	14	15	4	1		1	21	254	111	
	100.0	6.9	14.3	2.9	0.8	0.2		0.2	4.1	49.2	21.5	SC
	3.1	2.1	5.2	3.8	0.8	33.3		2.2	0.6	21.1	1.4	MC
	3.1	0.2	0.4	0.1					0.1	1.5	0.7	CC
												MC
RELIVE INCONSISTENT PRIMARY DOCUMENTATION	241	133	40	14	24			1	200	15	26	
	100.0	23.2	16.6	5.8	9.5			0.2	45.6	2.7	4.6	SC
	3.4	7.1	6.0	4.8	5.1			2.2	7.3	1.2	0.3	MC
	3.4	0.8	0.5	0.1	0.1				1.5	0.1	0.2	CC
												MC
RELIVE ACCEPTABLE ALTERNATE DOCUMENTATION												
RELIVE INCONSISTENT ALTERNATE DOCUMENTATION												
PERMISSION TO EXTEND TIME	110	15	12	6	1			1	23	5	45	
	100.0	13.5	10.9	5.5	0.9			0.9	22.7	4.5	40.9	SC
	8.3	0.9	0.9	1.3	0.2			2.2	0.7	0.4	0.6	MC
	8.3	0.1	0.1						0.2		0.3	CC
												MC
RELIVE ACCEPTABLE SEM CORRECTION WITH DOCUMENTATION	553	124	63	34	50			4	331	15	14	
	100.0	19.5	11.4	5.2	8.3			0.6	50.3	2.3	2.1	SC
	41.5	7.6	5.5	2.6	11.4			0.7	9.4	1.2	0.2	MC
	41.5	0.9	0.5	0.2	0.3				2.0	0.1	0.1	CC
												MC
RELIVE ACCEPTABLE SEM CORRECTION WITHOUT DOCUMENTATION												
RELIVE UNACCEPTABLE SEM CORRECTION WITH DOCUMENTATION	290	44	46	23	21			2	227	21	301	
	100.0	6.7	5.8	2.4	2.1			0.3	28.7	2.7	48.2	SC
	21.8	4.1	3.4	2.3	4.9			4.3	6.5	1.7	4.9	MC
	21.8	0.4	0.5	0.1	0.1				1.4	0.1	2.3	CC
												MC

DISCREPANCY TYPE

4.29

Table 4.7 (continued)

[illegible] OF INCONSISTENCIES WITH SPECIFIED DISCREPANCY TYPE (PRE-ESTABLISHED CRITERIA)

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		DISCREPANCY TYPE									
INCONSISTENCY TYPE	TOTAL	ADJUSTED GROSS INCOME ERRORS	TAXES PAID ERRORS	OTHER INCOME ERRORS	HOUSEHOLD POST-SECONDARY OFFSET ERRORS	ASSETS/ EARNINGS ERRORS	DEPENDENT STATUS	OTHER	MULTIPLE	NONE	UNKNOWN	
RELIVE UNACCEPTABLE SEM CORRECTION WITHOUT DOCUMENTATION												
RESPONSE NOT SEM CORRECTION AND NOT DOCUMENTATION	308	49	36	7	12			3	59	21	76	SC
	100.0	16.2	11.9	2.3	4.0			1.0	32.7	6.9	25.1	RC
	1.8	2.8	2.1	1.8	2.3			6.3	2.8	1.7	1.0	CC
	1.8	0.3	0.2		0.1				0.6	0.1	0.5	MC
RESPONSE INCONSISTENT OR INCOMPLETE DOCUMENTATION	168	21	13	4	8				37	13	68	SC
	100.0	12.7	8.6	2.4	4.8				22.3	7.8	41.0	RC
	1.0	1.2	1.1	1.0	1.7				1.1	1.1	0.9	CC
	1.0	0.1	0.1						0.2	0.1	0.4	MC
SEM DOES NOT SEM TO APPLICANT OR INSTRUCTIONS TO RETURN CORRECTIONS AGE OF VALIDATION/ CORRECTION OF SIGNED SEM	165	43	30	10	12				55	3	7	SC
	100.0	26.1	21.2	6.1	7.3				33.3	1.8	4.2	RC
	1.0	2.5	2.0	2.5	2.3				1.6	0.2	0.1	CC
	1.0	0.3	0.2	0.1	0.1				0.3			MC
INSTRUCTIONS TO CORRECT ENDORSED SEM OR DOCUMENTATION	331	66	44	11	18			1	148	6	43	SC
	100.0	15.6	13.1	3.3	5.3			0.3	43.9	1.8	12.8	RC
	2.0	3.9	3.2	2.8	3.8			2.2	4.2	0.5	0.5	CC
	2.0	0.4	0.3	0.1	0.1				0.9		0.3	MC
FIRST REMINDER	27	1	2	1	1				20	1	1	SC
	100.0	3.7	7.4	3.7	3.7				74.1	3.7	3.7	RC
	0.2	0.1	0.1	0.1	0.2				0.6	0.1		CC
	0.2								0.1			MC
SECOND REMINDER	2								1		1	SC
	100.0								50.0		50.0	RC
												CC
												MC
INSTRUCTIONS TO CALL VALIDATION CORRECTION	214	81	38	8	10			3	116	15	24	SC
	100.0	21.9	12.9	2.9	5.1			1.1	41.6	5.4	8.6	RC
	1.2	3.0	2.1	2.8	3.4			8.3	3.3	1.2	0.3	CC
	1.2	0.4	0.2		0.1				0.7	0.1	0.1	MC

TABLE 4.7 (continued)

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TRANSACTION TYPE	TOTAL	DISCREPANCY TYPE: ADJUSTED GROSS INCOME ERRORS	TAXES PAID ERRORS	OTHER INCOME ERRORS	HOUSEHOLD/POST-SECONDARY ADJ. OFFSET ERRORS	ASSETS/EXPENSES ERRORS	DEPENDENCY STATUS	OTHER	MULTIPLE	NONE	UNKNOWN	
FIRST RETURN	10	12	1	3	4			2	13	3		SC
	100.0	41.4	3.4	10.3	13.8			6.9	44.8	10.3		RC
	0.2	0.1	0.1	0.1	0.1			0.1	0.2	0.1		CC
	0.2	0.1							0.1			MC
SECOND RETURN												
INSTRUCTIONS TO SEND SEN	33	21	0	1	1				31	3		SC
	100.0	63.6	0.0	3.0	3.0				93.9	9.1		RC
	0.3	0.3	0.0	0.1	0.1				0.3	0.2		CC
	0.3	0.2							0.2			MC
FIRST RETURN	4	1		1					2			SC
	100.0	25.0		25.0					50.0			RC
		0.1		0.1					0.1			CC
												MC
SECOND RETURN												
REQUEST PERMISSION TO CORRECT SEN	311	95	27	9	15			1	133	3	7	SC
	100.0	27.4	18.4	2.9	4.8			0.3	42.9	1.0	2.3	RC
	3.9	3.0	4.2	2.3	3.2			2.2	3.8	0.2	0.1	CC
	3.9	3.5	0.3	0.1	0.1				3.8			MC
TELEPHONE CONTACT ATTEMPTED - NOT SUCCESSFUL	63	16	20	1	3			1	32	9	2	SC
	100.0	19.3	24.1	1.2	6.0			1.2	38.6	7.2	2.4	RC
	0.5	0.4	1.3	0.3	1.1			2.2	0.9	0.5		CC
	0.5	0.1	0.1						0.2			MC
LETTER TO EXPECT NEW SEN/ SEND ADJUSTED - APPLICANT AGREES AND SENDS SEN	214	132	11	30	32			5	318	2	2	SC
	100.0	21.4	12.3	4.7	6.9			0.8	51.5	0.3	0.3	RC
	3.1	1.8	2.1	1.6	11.0			10.9	9.0	0.2		CC
	3.1	0.8	0.3	0.2	0.3				1.9			MC
LETTER TO EXPECT NEW SEN/ SEND ADJUSTED - APPLICANT DOES NOT RESPOND OR REQUESTS CORRECTED SEN	312	126	33	18	23			1	244	2	1	SC
	100.0	25.3	15.4	3.6	4.8			0.2	48.6	0.4	0.2	RC
	3.1	1.6	0.3	0.3	0.4			2.2	6.9	0.2		CC

Table 4.7 (continued)
FREQUENCY OF TRANSACTIONS JOINT STATUS DISAGREEMENT BY DISCREPANCY TYPE (PRE-ESTABLISHED CRITERIA)

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		DISCREPANCY TYPE										
TRANSACTION TYPE	TOTAL	ADJUSTED GROSS INCOME ERRORS	TAXES PAID ERRORS	OTHER INCOME ERRORS	HOUSE-HOLD/ POST-SECON-DARY OFFSET ERRORS	ASSETS/ EXPENSES ERRORS	DEPEN-DENCY STATUS	OTHER	MULTIPLE	NONE	UNKNOWN	
	3.0	0.0	0.5	0.1	0.1				1.5			MC
LETTER TO EXPECT NEW SER/ AWARD ADJUSTMENT - VALIDATION CONFIRMATION SIGNS SER AND APPLICANT CORRECTS SER												
LETTER TO EXPECT NEW SER/ AWARD ADJUSTMENT - VALIDATION CONFIRMATION SIGNS AND CORRECTS SER												
AUDIT/LEGISLATIVE	502	26	72	17	1	1			8	276	101	SC
	100.0	5.2	14.3	3.4	0.2	0.2			1.6	55.0	20.1	RC
	3.0	1.5	5.3	4.3	0.2	33.3			0.2	23.0	1.3	CC
	3.0	0.2	0.4	0.1						1.7	0.6	MC
COMMUNICATION WITH OE	1								1			SC
	100.0								100.0			RC
												CC
												MC
COMMUNICATION WITH ACT												
DETERMINE AWARD												
OTHER THIRD PARTY COMMUNICATION	<1	4	6		4				6		1	SC
	100.0	19.0	28.6		19.0				28.6		4.8	RC
	0.1	0.2	0.4		0.6				0.2			CC
	0.1											MC
COMMUNICATION AFTER CLOSURE OR NOTIFICATION OF GRANT SUSPENSION	1075	23	18	9	9			1	49	27	939	SC
	100.0	2.1	1.7	0.8	0.8			0.1	4.6	2.5	87.3	RC
	0.5	1.4	1.3	2.3	1.9			2.2	1.4	2.2	12.0	CC
	0.5	0.1	0.1	0.1	0.1				0.3	0.2	5.7	MC
INSTRUCTIONS TO PROVIDE ADDITIONAL DOCUMENTATION	147	15	11	5	5				35	7	69	SC
	100.0	10.2	7.5	3.4	3.4				23.8	4.8	46.9	RC
	0.9	0.9	0.6	1.3	1.1				1.0	0.6	0.9	CC
	0.9	0.1	0.1						0.2		0.4	MC

TABLE 4.7 (continued)

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TRANSACTION TYPE	TOTAL	DISCREPANCY TYPE: ADJUSTED GROSS INCOME ERRORS	LOANS PAID ERRORS	OTHER INCOME ERRORS	HOUSEHOLD/POST-SECONDARY OFFSET ERRORS	ASSETS/EXPENSES ERRORS	DEPENDENCY STATUS	OTHER	MULTIPLE	NONE	UNKNOWN	
INST REMINDER	40	3	1	3	2				6	3	68	SC
	100.0	3.5	1.2	3.5	2.3				7.0	3.5	79.1	RC
	0.3	0.2	0.1	0.6	0.4				0.2	0.2	0.9	CC
	0.3										0.4	MC
SECND REMINDER												
POST OF PAYMENT DISCREPANCY												
INSTRUCTIONS TO CONTINUE PAYMENT UNTIL FURTHER NOTICE												
INSTRUCTIONS TO STOP PAYMENTS UNTIL FURTHER NOTICE												
INSTRUCTIONS TO CONTINUE PAYMENTS - CASE NOT VALID FOR FOLLOW-UP												
INCONSEQUENTIAL INCI SP HAS BEEN RESOLVED INSTITUTION												
INSTRUCTIONS TO RELEASE PAYMENTS OR NOTIFICATION OF RELEASE OF GRANT SUSPENSION	9	1							2	3	3	SC
	100.0	11.1							22.2	33.3	33.3	RC
	0.1	0.1							0.1	0.2		CC
	0.1											MC
INSTRUCTIONS NOT TO MAKE ANY AWARD ADJUSTMENTS												
RESPONSE RECEIVED - DISCREPANCY NOT RESOLVED	27	3	2		2				2	1	17	SC
	100.0	11.1	7.4		7.4				7.4	3.7	63.0	RC
	0.2	0.2	0.1		0.4				0.1	0.1	0.2	CC
	0.2										0.1	MC
OTHER	1										1	SC
	100.0										100.0	RC
												CC
												MC

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The proportion of first follow-up letters mailed in both validation studies is remarkably similar, with slightly fewer first follow-up letters being mailed in the 1976-77 validation study. However, the percentage of non-respondents requiring the second follow-up letter was relatively higher in the 1976-77 study. As explained earlier in this report, the continued non-response may be attributed to the selection criteria used in the 1976-77 validation study which have appeared to identify applicants who frequently misreport data and thus may be more reluctant to respond to the initial request. One of the findings that emerged from this table, that was expected, was the fact that unknown discrepancy types required, by far, the most communications prior to suspension of the award. Other than the results listed above, differences in the frequency of transactions for various discrepancy types were slight. Telephone calls for clarification occurred relatively more frequently in "other" discrepancies, i.e. discrepancies in marital status, portions of income, etc. - 6.5 percent for calls prior to the initial response and 13 percent for calls after the initial response. Of the specific discrepancy types categorized in Table 4.7, slightly more calls for clarification, after a written response had been received, were made by applicants with discrepancies in non-taxable income (6.6%).

A further consideration in determining the effectiveness of the validation procedures is the rate of acceptable and unacceptable responses received as first, second and third responses to the validation request(s). Table 4.8 represents the distribution of first responses by each discrepancy type. Of the 2242 first responses, 55.3 percent (N=1239) were from cases with multiple or unknown discrepancies. Nearly thirty-one percent (N=688) of all first respondents provided acceptable documentation or an acceptable SER correction. Of all discrepancy types, cases with errors in household/postsecondary enrollment provided the greatest proportion of acceptable SER corrections in the first response (35.2%). In terms of unacceptable responses, cases involving

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TABLE 4.8

[illegible] DISCREPANCY TYPE (PRE-ESTABLISHED CRITERIA)

		DISCREPANCY TYPE										
PARENT UNIT	TOTAL	ADJUSTED GROSS INCOME ERRORS	TAXES PAID ERRORS	OTHER INCOME ERRORS	MOONSHINE AND POST-SECONDARY OFFSET ERRORS	ASSETS/LIABILITIES ERRORS	DEPENDENCY STATUS	DIMER	MULTIPLE	NONE	UNKNOWN	
ALL	2,442	306	255	89	88	1		6	594	278	645	SC
	100.0	13.6	11.4	3.1	3.9			0.3	26.5	12.4	28.8	RC
	100.0	100.0	100.0	100.0	100.0	100.0		100.0	100.0	100.0	100.0	CC
	100.0	13.5	11.4	3.1	3.7			0.3	26.5	12.4	28.8	MC
VARIABLE DOCUMENTATION	410	27	53	12	3	1			19	194	89	SC
	100.0	7.1	15.4	2.9	0.7	0.2			4.6	47.3	21.7	RC
	16.8	8.5	24.7	17.4	3.4	100.0			3.2	69.8	13.8	CC
	16.8	1.3	2.8	0.5	0.1				0.8	0.7	4.0	MC
VARIABLE DEFINITION	218	48	31	14	31			1	115	14	13	SC
	100.0	21.2	11.2	5.0	11.2			0.4	41.4	5.0	4.7	RC
	16.8	15.3	12.2	20.3	35.2			16.7	19.4	5.0	2.0	CC
	16.8	2.0	1.4	0.6	1.4				5.1	0.6	0.6	MC
DEPENDENT SEX CORRECTION	263	41	37	20	17			2	174	19	141	SC
	100.0	11.1	7.5	3.3	3.3			0.4	33.3	3.6	36.5	RC
	21.3	19.9	19.3	29.0	19.3			33.3	29.3	6.8	29.6	CC
	23.3	2.7	1.7	1.9	0.8			0.1	7.8	0.8	8.5	MC
DEPENDENT INCORRECTION	430	88	64	14	22			1	165	26	76	SC
	100.0	19.3	14.0	3.1	4.8			0.2	38.2	5.7	16.7	RC
	20.3	28.4	25.1	20.3	25.0			16.7	27.8	9.4	11.8	CC
	20.3	3.9	2.9	0.6	1.0				7.4	1.2	3.4	MC
OTHER RESPONSES	213	44	38	9	15			2	121	25	276	SC
	100.0	12.4	18.1	1.6	7.0			0.3	21.6	4.3	48.0	RC
	10.0	20.5	22.7	13.0	17.0			33.3	20.4	7.0	42.8	CC
	20.0	3.1	2.0	0.9	0.7			0.1	5.4	1.1	12.3	MC

adjusted gross income errors contained the highest proportion of unacceptable documentation (28.8%) followed by multiple discrepancies (27.8%).

In comparing the distribution of first responses received in the 1975-76 and 1976-77 validation studies, an interesting trend was observed. The following text table exhibits this comparison:

Comparison of Distribution of First Responses between 1975-76 and 1976-77 Validation Studies

Response type	1975-76 %	1976-77 %
Total	100.0	100.0
Acceptable Documentation	9.3	18.3
Acceptable SER Corrections	49.0	12.4
Unacceptable Documentation	4.6	23.3
Unacceptable SER Corrections	13.9	20.3
All Other Responses	23.1	25.6

The total proportion of acceptable first responses received in the 1976-77 validation study were significantly lower (30.7%) than those received in the 1975-76 validation (58.3%). However, this decrease occurred solely in the rate of acceptable SER corrections provided. In fact, as can be seen from the text table, the proportion of cases resolved in the 1976-77 validation, due to the receipt of acceptable documentation, nearly doubled over the amount provided in the 1975-76 study. This occurrence is not necessarily a function of the initial procedural letter. Rather, the difference in acceptability procedures used in reviewing responses significantly changed from those used in the 1975-76 validation. At the beginning of the 1975-76 validation, corrected SERs without

supporting documentation were accepted, however, during the latter part of the 1975-76 validation and during the entire duration of 1976-77 validation, all SER corrections were required to be accompanied by supporting documentation before they could be considered acceptable.

By the second response cycle, acceptable responses increased to 38.3 percent (N=386) of all second responses; an increase of 7.6 percent. This increase may be due to receiving a communication from the validation contractor which clarified the required information. Table 4.9 exhibits this distribution of second responses by each discrepancy type.

As evidenced in the first response cycle, cases with errors in household/postsecondary enrollment again provided a higher proportion of acceptable SER corrections in the second response cycle (53.8%) than most types of errors. Unacceptable SER corrections occurred more frequently in cases involving unknown discrepancies (68.8%) followed by multiple discrepancies (11.8%) by the time of the second response cycle.

Table 4.10 exhibits the distribution of third responses within each type of discrepancy. The percentage of responses providing acceptable corrections and acceptable documentation decreased to 34.2 percent (N=73) for third responses. This decrease in acceptable responses by the third response cycle was also observed in institution referral cases. Of each discrepancy type, cases involving multiple discrepancies, nontaxable income and taxes paid errors provided acceptable responses most frequently (47.8%, 44.4% and 38.4%, respectively).[1/]

A comparison of types of responses received at various intervals for the 1975-76 and 1976-77 validation contracts is shown in the following text table.

1/ This does not include the one acceptable SER correction received from a student found to have some "other" discrepancy type.

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TABLE 4.9

Similarity in Selected Resources of Biracial Interracial Interracial Children

								BIRACIALITY TYPE					
SOURCE TYPE	TOTAL	MULTIRACIAL GROUP INCOME SOURCES	BLACK FAMILY SOURCES	OTHER INCOME SOURCES	MOUSE-MOLD/ MULTI-SECURITY AND OFFICE SOURCES	ASSETS/ LIABILITIES SOURCES	WOMEN-OWNED STATUS	OTHER	MULTIPLE	NONE	UNKNOWN		
TOTAL	[illegible]	150	110	38	40			0	304	69	225	SC	
	[illegible]	14.7	10.8	3.8	4.0			0.0	30.2	6.9	22.4	MC	
	[illegible]	100.0	100.0	100.0	100.0			100.0	100.0	100.0	100.0	CC	
	[illegible]	14.7	10.8	3.8	4.0			0.0	30.2	6.9	27.4	MC	
[illegible]	27	5	4	3	1			1	2	48	20	SC	
	[illegible]	5.6	10.1	3.4	1.1			1.1	2.2	53.9	27.5	MC	
	[illegible]	3.3	3.6	7.9	2.5			25.0	0.5	89.6	8.9	CC	
	[illegible]	1.5	0.9	0.3	0.1			0.1	0.2	4.8	2.8	MC	
[illegible]	247	48	33	14	21			2	101	1	1	SC	
	[illegible]	20.2	11.6	4.7	7.1			0.7	34.9	0.3	0.3	MC	
	[illegible]	41.0	31.0	36.8	52.5			50.0	44.8	1.4	0.4	CC	
	[illegible]	1.0	3.9	1.9	2.1			0.2	10.2	0.1	0.1	MC	
[illegible]	210	0	1	2	2				93	2	141	SC	
	[illegible]	3.9	3.9	1.0	1.0				21.0	1.0	68.8	MC	
	[illegible]	5.3	5.9	5.3	4.3				11.8	2.9	62.7	CC	
	[illegible]	0.0	0.1	0.2	0.2				4.3	0.2	14.0	MC	
[illegible]	218	34	33	8	14				103	2	15	SC	
	[illegible]	15.6	15.1	3.9	4.8				44.0	1.0	7.1	MC	
	[illegible]	25.0	30.0	21.1	21.1				29.3	2.9	6.7	CC	
	[illegible]	3.9	3.3	0.9	1.4				10.2	0.2	1.5	MC	
[illegible]	210	34	28	11	14			1	93	16	48	SC	
	[illegible]	14.5	12.1	5.4	5.7			0.5	45.9	7.6	23.4	MC	
	[illegible]	23.3	21.9	28.9	29.1			25.0	14.6	23.2	21.3	CC	
	[illegible]	3.8	2.5	1.1	1.4			0.1	5.3	1.6	4.8	MC	

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TABLE 4.10

DISTRIBUTION OF ERROR RESPONSES BY DISCREPANCY TYPE (PRE-ESTABLISHED CRITERIA)

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RESPONSE TYPE	TOTAL	ADJUSTED GROSS INCOME ERRORS	TAXES PAID ERRORS	OTHER INCOME ERRORS	HOUSEHOLD/POST-SECONDARY OFFSET ERRORS	ASSETS/EXPENSES ERRORS	DEPENDENCY STATUS	OTHER	MULTIPLE	NONE	UNKNOWN	
TAL	241	85	28	9	12			1	92	14	54	SC
	100.0	14.9	10.7	3.7	4.9			0.4	37.9	5.8	22.2	RC
	100.0	100.0	100.0	100.0	100.0			100.0	100.0	100.0	100.0	CC
	100.0	14.9	10.7	3.7	4.9			0.4	37.9	5.8	22.2	MC
EPTABLE OCCUPATION	19	1	1							11	1	SC
	100.0	7.1	7.1							78.6	7.1	RC
	7.9	2.9	3.8							78.6	1.9	CC
	7.9	0.4	0.4							4.5	0.4	MC
EPTABLE SEX CORRECTION	59	8	9	4	3			1	44			SC
	100.0	11.6	13.0	5.8	4.3			1.4	63.8			RC
	24.9	22.9	34.6	44.4	25.0			100.0	47.8			CC
	24.9	3.3	3.7	1.6	1.2			0.4	18.1			MC
ACCEPTABLE SEX CORRECTION	49			1	1				8		39	SC
	100.0			2.0	2.0				16.3		79.6	RC
	20.2			11.1	8.3				8.7		72.2	CC
	20.2			0.4	0.4				3.3		16.0	MC
ACCEPTABLE OCCUPATION	47	17	6	1					21		2	SC
	100.0	36.2	12.8	2.1					44.7		4.3	RC
	19.3	40.6	23.1	11.1					22.8		3.7	CC
	19.3	7.0	2.5	0.4					8.6		0.8	MC
OTHER RESPONSES	66	9	10	3	8				19	3	12	SC
	100.0	14.1	15.6	4.7	12.5				29.7	4.7	18.8	RC
	27.3	25.7	35.5	33.3	66.7				20.7	21.4	22.2	CC
	27.3	3.7	4.1	1.2	3.3				7.8	1.2	4.9	MC

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Frequency of Response Types for 1975-76 and 1976-77 validations by the time of response

	1975-76		1976-77	
Time of Response	Acceptable %	Unacceptable %	Acceptable %	Unacceptable %
First Response	42.7	57.3	30.7	69.3
Second Response	55.7	44.3	38.3	61.7
Third Response	58.3	41.7	34.2	65.8

In comparing the frequency of acceptable and unacceptable responses received in both validation studies, it can be seen that the rate of acceptable responses in all response cycles was higher in the 1975-76 validation than in the 1976-77 validation. Again, this overall finding may be attributed to the changes effected in the acceptability requirements for the 1976-77 validation.

The pattern of acceptable responses in each response cycle which emerged from the 1976-77 validation of Pre-established criteria cases is similar to the pattern which was found in responses received from institution referral cases; specifically the highest acceptable response rate was achieved in the second response cycle. This is most likely due to the use of the additional contact form letter, which explains the steps which students must take to provide an acceptable response.

By the fourth response cycle, there were only 46 students who responded. Table 4.11 exhibits the distribution of fourth responses by discrepancy type. Of these responses, only 21.7 percent were acceptable and 78.3 percent still unacceptable. Multiple discrepancy cases provided the greatest number of acceptable SER

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TABLE 4.11

[illegible] OF FAMILIES WHOSE [illegible] BY TWO INDEPENDENT CRITERIA

		DISCREPANCY TYPE										
RESPONSE TYPE	TOTAL	ADJUSTED GROSS INCOME ERRORS	TAXES PAID ERRORS	OTHER INCOME ERRORS	HOUSEHOLD/POST-SECONDARY OFFSET ERRORS	ASSETS/EXPENSES ERRORS	DEPENDENCY STATUS	OTHER	MULTIPLE	NONE	UNKNOWN	
TOTAL	46	6	5	3	2				14	1	15	SC
	100.0	13.0	10.9	6.5	4.3				30.4	2.2	32.6	RC
	100.0	100.0	100.0	100.0	100.0				100.0	100.0	100.0	CC
	100.0	13.0	10.9	6.5	4.3				30.4	2.2	32.6	MC
[illegible] DOCUMENTATION	2		1								1	SC
	100.0		50.0								50.0	RC
	4.3		20.0								6.7	CC
	4.3		2.2								2.2	MC
[illegible] NO CORRECTION	8	1		1					6			SC
	100.0	12.5		12.5					75.0			RC
	17.4	16.7		33.3					42.9			CC
	17.4	2.2		2.2					13.0			MC
[illegible] NOT CONSIDERED	11				1				1		9	SC
	100.0				9.1				9.1		81.8	RC
	23.9				50.0				7.1		60.0	CC
	23.9				2.2				2.2		19.6	MC
[illegible] INCOME TAXES	10	4	4						4		1	SC
	100.0	40.0	40.0						40.0		10.0	RC
	21.7	66.7	80.0						28.6		6.7	CC
	21.7	8.7	8.7						8.7		2.2	MC
[illegible] OTHER REASONS	15	1	3	2	1				3	1	4	SC
	100.0	6.7	20.0	13.3	6.7				20.0	6.7	26.7	RC
	32.6	16.7	60.0	66.7	50.0				21.4	100.0	26.7	CC
	32.6	2.2	6.5	4.3	2.2				6.5	2.2	8.7	MC

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corrections in the fourth response cycle (42.9%). This finding suggests that multiple discrepancy cases may require several additional contacts before an acceptable response is received. Of even further interest is the fact that, of the responses from cases involving adjusted gross income errors, two thirds (66.7%) contained unacceptable documentation. The overall higher proportion of unacceptable responses was related to the fact that often cases which progress to this stage involve complicated changes and or situations which frequently require special attention, such as cases of foster parents, stepparents, etc. As a result, applicants often provided partially correct responses which required further clarification and additional actions.

Distribution of Pre-established Criteria Transaction Types

Nearly all transactions conducted in the Pre-established Criteria Study were between students and/or their parents and the validation contractor. The total number of these transactions was 16,492. Table 4.12 presents the distribution of these transactions by the mode and destination of the communication between all discrepancy types. Data are presented in terms of absolute frequencies and mean number of transactions. The overall number of transactions necessary for each discrepancy type averaged 5.0 transactions per case. Differences within each type of transaction were relatively few. Cases in which the discrepancy type was unknown averaged 3.9 letters initiated by the contractor in contrast to a lesser amount for the known discrepancies. Telephone calls initiated by the applicants occurred on the average at a greater rate for "other" types of discrepancies such as veterans benefits and marital status (1.8 calls per case). Although these averages are based upon only 6 errors of this type, it is noteworthy to point out that these items on the SER were not considered in the original validation requests, but upon the contractor's discovery of an error, additional contacts were attempted to rectify the matter.

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TABLE 4.12

NUMBER OF STUDENT/PARENT INTERACTIONS BY DISCREPANCY TYPE (PRE-ESTABLISHED CRITERIA)

INTERACTION TYPE	TOTAL	DISCREPANCY TYPE: ADJUSTED GROSS INCOME ERRORS	TAXES PAID ERRORS	OTHER INCOME ERRORS	HOUSEHOLD POST-SECONDARY OFFSET ERRORS	ASSETS/EXPENSES ERRORS	DEPENDENCY STATUS	OTHER	MULTIPLE	NONE	UNKNOWN		
ALL	3,276	308	260	70	88	1		6	601	283	1,659	SC	
	10,492	1,849	1,353	396	472	3		46	3,512	1,201	7,820	SV	
	3.0	5.5	5.2	5.7	5.4	3.0		7.7	5.8	4.2	4.7	MN	
ITEMS INITIATED BY STATION CONNECTION	3,276	308	260	70	88	1		6	601	283	1,659	SC	
	11,947	963	773	225	268	2		22	1,961	737	6,457	SV	
	3.3	3.1	3.0	3.2	3.0	2.0		3.7	3.3	2.6	3.9	MN	
ITEMS INITIATED APPLICANT/PARENT	3,276	308	260	70	88	1		6	601	283	1,659	SC	
	3,298	500	396	119	149	1		11	1,007	362	943	SV	
	1.1	1.6	1.5	1.7	1.7	1.0		1.8	1.6	1.3	0.6	MN	
PHONE CALLS INITIATED STATION CONNECTION	3,276	308	260	70	88	1		6	601	283	1,659	SC	
	701	53	54	8	15			2	107	13	9	SV	
	0.1	0.2	0.2	0.1	0.2			0.3	0.2			MN	
PHONE CALLS INITIATED APPLICANT/PARENT	3,276	308	260	70	88	1		6	601	283	1,659	SC	
	1,253	173	139	44	40			11	337	89	411	SV	
	0.4	0.6	0.5	0.6	0.5			1.8	0.6	0.3	0.2	MN	

4.43

Since the validation procedures were modified in an effort to reduce the amount of transactions necessary to process a case, the results of the 1976-77 validation in terms of the average number of transactions for each communication between applicant/parents and the validation contractor have been compared to these results obtained in the 1975-76 validation. The following text table exhibits these findings:

Comparison of Mean Number of Transactions by Type of Transaction between 1975-76 and 1976-77 Validation Studies

Type of Transaction	1975-76	1976-77
Total	5.7 (N=7858)	5.0 (16492)
Letters Initiated by Contractor	3.8 (N=5259)	3.5 (11428)
Letters Initiated by Applicant/Parent	1.2 (N=1703)	1.1 (3548)
Calls Initiated by Contractor	.2 (N=224)	.1 (261)
Calls Initiated by Applicant/Parent	.5 (N=672)	.4 (1256)

Review of this table indicates that the average number of transactions made in the 1976-77 validation decreased slightly for <u>each</u> type of communication. The most significant decrease occurred in the number of letters initiated by the applicants/parents which decreased by 1 transaction. From these results, it can be seen that the modified procedures used in the 1976-77 validation did indeed decrease the number of applicant/parent transactions as shown in the cases which were resolved at the time of this report.

The distribution of transactions between the validation contractor and institutions or third parties for each discrpancy type are exhibited in Table 4.13. As shown in this table, the majority of the cases within each discrepancy type required an average of less than one transaction per case, of which the communication usually consisted of letters initiated by the contractor. The only transactions in the category of telephone calls initiated by the financial aid officer or third party were made in cases involving household size/postsecondary offset errors. It was observed in communications with financial aid officers that most schools were cooperative in relation to the validation study and occasionally assisted students in meeting the requirements of the study.

4.5: CHAPTER SUMMARY

The validation contractor initiated or received approximately 23,000 written/telephone communications for a total of 3,804 resolved cases from the two individual validation studies (528 Institution referral cases and 3,276 Pre-established criteria cases). It should be noted that these transactions were recorded only for those cases which were resolved at the time this report was prepared, and, in fact, many more transactions were accomplished. Analysis of the type and quality of these communications revealed the following observations:

- Of all transactions taken in the Institution Referral Study, the most frequent types were all telephone calls for clarification.
- In the 1976-77 validation of institution referral cases, nearly 60 percent of all applicants validated required a first follow-up letter in contrast to only about 48 percent in the 1975-76 validation.
- First responses received in the Institution Referral Study were generally poor; over half (55.5%) were unacceptable. However, within discrepancy types, household size/postsecondary offset cases and cases involving errors in attendance prior to April 1973 exhibited the highest rates of acceptable responses at the time of the first response.

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TABLE 4.13

[illegible] DISCREPANCY TYPE (PRE-ESTABLISHED CRITERIA)

[illegible]		DISCREPANCY TYPE											
		[illegible] ENTRY ERRORS	TOTAL MISSING ENTRIES	OTHER [illegible] ENTRIES	MISSED MAJOR MINOR SECURITY ANT OFFSET ENTRIES	ASSETS/ EXPENSES ENTRIES	DEPENDENT STATUS	OTHER	MULTIPLE	NONE	UNKNOWN		
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1		6	[illegible]	[illegible]	[illegible]	SC	
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]			[illegible]	[illegible]	7	[illegible]	SV	
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]			[illegible]	[illegible]		[illegible]	MN	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1		6	[illegible]	[illegible]	[illegible]	SC	
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]			[illegible]	[illegible]	[illegible]	[illegible]	SV	
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]			[illegible]	[illegible]		[illegible]	MN	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1		6	[illegible]	[illegible]	[illegible]	SC	
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]				[illegible]	[illegible]	[illegible]	SV	
		[illegible]			[illegible]							MN	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1		6	[illegible]	[illegible]	[illegible]	SC	
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]			[illegible]	[illegible]	[illegible]	[illegible]	SV	
								[illegible]				MN	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1		6	[illegible]	[illegible]	[illegible]	SC	
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]				[illegible]	[illegible]	[illegible]	SV	
					[illegible]							MN	

4.46

- Sixty-three percent of the second responses in the Institution Referral Study were acceptable, however, by the time of the third response cycle, the proportion of acceptable and unacceptable response were equally balanced. These results suggest that applicants who initially misunderstand the requirements and instructions for SER correction continue to respond incorrectly.
- The average number of student/parent transactions was 6 per case. Transactions with institutions/third parties averaged 3.6 per case. In conducting the validation, the contractor initiated nearly twice as many letters as did student/parents.
- Almost half of all communications in the Pre-established Criteria Study, with students/parents involved cases in which the discrepancy was never determined. These included cases in which no response or an unacceptable response was received. Another 21.3 percent of all transactions were conducted in cases involving multiple discrepancies.
- The proportion of applicants who received first follow-up letters remained essentially the same in both the 1976-77 and 1975-76 validations (53.1% and 54.3%, respectively).
- First responses received from Pre-established Criteria Study participants were generally attempts to provide supporting documentation (41.6%). Relatively few acceptable SER corrections were received in the first response cycle.
- Second responses received in the Pre-established Criteria Study were primarily attempts to correct SER data, half of which were acceptable SER corrections.
- By the time of the third response cycle, the overall rate of acceptable responses decreased to only approximately one-third of all responses.

5

ANALYSIS OF OVERPAYMENT RECOVERY PROCEDURES

5.1: STUDY OVERVIEW

The Overpayment Recovery effort was initiated to provide a mechanism for recovering overawards from Basic Grant recipients. The Office of Education's December 31, 1976 "Dear Colleague" letter advised financial aid personnel at postsecondary institutions participating in the Basic Grant program of the procedures to be followed in reporting overpayment cases for collection activity. Overpayments occurred when any one or combination of the following situations was true:

- a student received a grant and did not complete registration or attend classes;
- a student received a grant and withdrew or dropped out prior to the end of the period (quarter, semester) covered by the award;
- a student received a grant based on an incorrect Student Eligibility Report (SER), and correction of the SER resulted in the student being less eligible or completely ineligible for a grant;
- a student received a grant and did not use it to defray educational expenses at the institution which disbursed the award;
- a student received a grant but had been awarded a baccalaureate degree previously;
- a student received a grant and was not a U.S. citizen or a permanent resident of the U.S.

Office of Education overpayment recovery activity commenced after financial aid personnel attempted to recoup debts from students and had not obtained full restitution.

Cases requiring additional collection activity were referred to the Office of Education by a number of sources. The majority of referrals came from financial aid officers at postsecondary institutions. The remainder came from students who referred themselves, friends and relatives of grant recipients, the application processor, and the general information contractor.

Upon receipt of a referral, the validation contractor's overpayment recovery personnel reviewed the information supplied for completeness. If information were lacking or unclear, a telephone call was made to the institutional contact or to the student (in the case of self-referrals) to obtain additional information and/or clarification. When the case background was complete, recovery action was initiated.

5.2: OVERPAYMENT RECOVERY METHODOLOGY

Each overpayment recipient whose case required action was notified by certified letter of the initiation of U.S. Office of Education overpayment recovery activity. The letter informed the student of the amount to be repaid and the fiscal year in which the overpayment occurred. It also described up to four payment options for returning the amount of the overaward to the U.S. Office of Education. The suggested payment options included:

- a minimum payment every month until the debt is paid in full
- a large initial payment and a few large monthly installments
- a large initial payment and several small monthly installments
- payment in full

Finally, the student was advised that he or she would not receive financial assistance for which he/she was eligible under the Basic

Grant Supplemental Educational Opportunity Grant, National Direct Student Loan, Guaranteed Student Loan, and College Work Study Programs until the entire amount of the basic grant debt is repaid. A letter authorizing the withholding of Federally funded financial assistance under these programs was mailed to the Financial Aid Officer at the referring institution at the same time the notification of overpayment was sent to the student.

If the overpayment recipient did not respond to the initial request to establish a repayment schedule within two weeks, an uncertified follow-up letter was mailed. Follow-up letters were mailed uncertified to reduce the possibility of letters not being claimed. Non-respondents to the follow-up received a final letter advising them that their cases might be turned over to the General Accounting Office for additional collection activity as appropriate. In the event that a student did not establish a repayment schedule within 5 weeks or that a student was not located, the case was considered closed and no further action was taken unless a student agreed at a later date to repay his or her debt.

Responses from students were reviewed to determine whether or not the individuals responded satisfactorily to the request for payment. A notification of billing procedures was sent to each student who agreed to pay. This letter indicated the number and the dollar amount of payments and the day of the month on which each installment is due. Students who responded by indicating a repayment schedule and/or sending a first installment received payment receipts. The payment receipt indicated the account's previous balance, the amount of the payment, and the new (unpaid) balance. It also advised the student of the amount and due date for the next payment. Students who remitted the full amount of their overawards or final installments received letters thanking them for cooperating with the recovery effort. Whenever an individual remitted full payment, a letter which states that the overpayment has been returned to the Basic Grant Program was sent to the financial aid officer at the referring institution.

Each check or money order was scanned for completeness and acceptability. Overpayment recovery staff looked for specific errors. Possible problems with each payment included pre- or post-dating, payment amount was less than the amount due, payment not drawn to the order of the U.S. Office of Education or the Basic Grant Program, discrepant dollar amounts on checks, unsigned checks, and money orders not bearing the name of the purchaser. Whenever one of these problems occurred, a letter was sent to the overpayment recipient requesting a replacement payment. Such payments were not posted to the individuals' accounts until satisfactory payments were received. Partial payments were the only exception--these were credited to the accounts and a letter requesting that the student forward the unpaid portion of the monthly installment within one week was mailed. Additional follow-up was undertaken if the student did not respond to this request.

All acceptable payments were posted to the appropriate overpayment recipient's account, coded for entry into the automated collections accounting system, and forwarded to the Finance Division of the Office of Education not later than 48 hours after receipt. OE Finance then deposited the payments with the Treasury Department. In accordance with instructions prepared by OE Finance, the system was developed to provide an automated accounting and reporting system into which all overpayment recovery cases were entered. Data entered in the system for each student included:

- student's name, address, and social security number
- fiscal year in which overpayment occurred
- OE vendor number for the funded institution which disbursed the overaward
- grant expected, amount disbursed, amount repaid to the institution
- eligibility index
- student educational cost
- total amount to be repaid
- each collection against accounts receivable

- unbilled collections[1/]
- bounced checks
- closure reason

This information was used to generate tapes of accounts receivable (AR), collections against AR, unbilled collections, and debits or bounced checks against AR and unbilled collections. The system was also used to compile quarterly reports of the accounts receivable, collections against accounts receivable, unbilled collections, and debits and bounced checks against accounts receivable and unbilled collections for delivery to OE Finance.

Not all the overpayment recipients agreed to repay their debts. Nearly 82 percent (N=151) of the 185 closed cases were closed because the individuals had moved and could not be located or because they never responded. Records of these debts remained on file to facilitate processing of responses after closure. None were referred to the General Accounting Office because an official mechanism for accomplishing this has not been established yet. The remaining 18.3 percent of the closed cases (N=34) were closed because the individuals had paid their accounts in full, made arrangements to repay debts at their schools, or were erroneous referrals (i.e., the student had not received an overpayment).

Many overpayment recipients contacted the recovery contractor to obtain answers to problems. Most frequently, students indicated that they could not meet the terms of the repayment options. In these cases, the overpayment recovery staff attempted to determine how much the student could afford and adjusted the payment amounts accordingly. The only other problem encountered frequently was the lack of understanding of how an overpayment occurred. In these

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[1/] Unbilled collections were payments sent by individuals who neither had referred themselves nor had been referred by an institution or third party and for whom no account receivable had been established. Prior to depositing these payments, the overpayment recovery staff contacted the individual and/or the institution at which the overpayment occurred to verify the existence of a debt to the Basic Grant Program.

instances, the student was informed of the exact reason for the overpayment. If, after receiving an explanation, the student did not respond or establish a repayment schedule, the student's case was processed with all other non-respondents.

5.3: STUDY RESULTS

More than 600 referrals have been received by the overpayment recovery contractor. Of these, 451 have been reviewed, opened and entered in the overpayment recovery data base. All case statistics presented in this section are based on those 451 cases.

Forty one percent (N=185) of the 451 cases were closed. Closed cases were coded to indicate the reason for closure. After reviewing many cases, the closure reasons were expanded to cover the following circumstances:

- student paid entire debt
- student failed to establish a repayment plan in 5 weeks or refused to pay
- student could not be located
- contract ended before student paid in full or before student agreed to a repayment plan
- student stopped paying
- student repaid at school
- erroneous referral (i.e., student did not receive overpayment)

The following text table presents a breakdown of closed cases.

Closure Reason	Number Closed	Percent of Total
Received Payment	28	15.1
Payment Plan Not Established	122	65.9
Cannot Locate Student	29	15.7
End of Contract	0	0
Stopped Paying	0	0
Repaying at School	4	2.2
Erroneous Referral	2	1.1
TOTAL	185	100.0

Twenty-eight students (15.1 percent of closures) have paid in full. One hundred and twenty-two students (65.9 percent of closures) received correspondence but failed to establish a repayment plan. Only one of the 122 closed for this reason explicitly refused to repay the excess disbursement. Twenty-nine cases (15.7 percent) were closed because the student could not be located. Four students (2.2 percent of closures) responded by indicating that they were repaying their debts to the institutions. Prior to closing cases for this reason, the referring financial aid officer was contacted in order to verify the student's claim. Finally, two cases (1.1 percent of closures) were closed because the referrals were incorrect. One of these cases was referred because the school's auditor misinterpreted the prior enrollment restriction. In the other, the overpayment occurred as the result of an institutional error in calculating the award. The overpayment had already been returned to the Basic Grant Program by the institution. However, the institution hoped that additional collection activity by the Office of Education would persuade the student to pay the amount of the overaward to the institution.

Current overpayment recovery procedures have been reasonably successful in providing a mechanism for students to repay their debts. A total of 102 overpayment recipients (22.6 percent of cases opened) have agreed to a schedule for repayment. Emphasis was placed on tailoring payments to the individual student's ability to repay. In several cases this tailoring enabled students to pay small or token amounts until they were able to increase the amount of their payments.

The amount of overpayment varied greatly from case to case. Overpayments ranged from a low of $8 to a high of $1400. Most of the cases were single year payments. Only two multiple year cases were forwarded to the overpayment recovery team. In one case, the student was enrolled in a postsecondary school prior to April 1,

1973 but indicated otherwise on her Student Affidavit.[1/] In the other case, the overpayment recipient had received a baccalaureate degree from an institution in Taiwan prior to enrolling in a university in the United States. The following text table presents the record of accounts accumulated at the time this report was prepared.

Total Accounts Receivable Billed	$99,299.97
Total Collections Against AR	-$ 5,039.25
Unpaid AR Balance	$94,260.72
Total of Unbilled Collections	$ 1,162.00

The text table above is based on the information entered in the overpayment accounting system for 451 cases. Of all 451 cases, 22.6 percent (N=102) have selected repayment plans. The total collections against accounts receivable, $5,039.25, was the sum of 93 payments. Thus, the average payment was $54.19. Similarly, the total amount owed on accounts receivable was $99,299.97 for 451 cases, an average debt of $220.18. Twenty-nine overpayment recipients made full repayment of their debts. For these individuals, the total amount repaid to the program was $3,622.25, or an average debt of $124.90 per case. In this group, the smallest individual debt was $8, the largest was $456.

[1/] Each Basic Grant recipient is required to sign an affidavit indicating that he/she will use BEOG funds solely for expenses related to attendance or continued attendance at the institution granting the award and that failure to do so will require repayment of some portion of the award. Some institutions also include statements which require the student to certify dependency status, undergraduate status, citizenship, and enrollment on at least a half-time basis.

Almost all of the 6,300 schools participating in the Basic Grant Program were informed of the commencement of Office of Education overpayment recovery procedures. Thus far, 146 institutions have referred cases for follow-up. Nearly 68 percent (N=99) of the referring institutions were universities, colleges, community colleges, and junior colleges. The remaining 32.2 percent (N=47) were technical and vocational schools. Eight institutions were responsible for 287 referrals.

5.4: CHAPTER SUMMARY

This year the Overpayment Recovery effort was implemented as the third component of the Basic Grant Validation Study. It represented a significant step on the part of the Office of Education to reduce program abuse. During the six months in which the recovery effort has been operational, both financial aid personnel and overpayment recipients have demonstrated their willingness to cooperate with requests for reporting and repayment of overawards.

Procedures and standardized form letters have been reviewed and revised as necessary throughout the conduct of the recovery effort. The main thrust of these procedural revisions was to improve the rate of compliance with the Office of Education's requests for repayment of overawards. As the Overpayment Recovery effort matures, members of the staff will continue to actively look for ways to increase the efficiency and effectiveness of all procedures.

A brief summary of major outcomes of this year's overpayment recovery component are presented below.

- Forty-one percent (N=185) of the 451 cases in which overpayment recovery action was initiated were closed. Of these closed cases, 65.9 percent (N=122) were closed because the overpayment recipients failed to establish repayment plans within the five week time limit.

- A total of 28 cases were closed because the overpayment recipients had made full restitution of their debts. These 28 individuals repaid a total of $3,622.25 to the Basic Grant Program. The average debt for these overpayment recipients was $129.37 per case.
- Twenty-two and six-tenths (22.6) percent (N=102) of the 451 overpayment recipients selected plans for repayment of their overawards.
- Over 600 referrals for overpayment recovery action were sent by 146 postsecondary institutions. Universities, colleges, junior colleges and community colleges provided slightly more than two-thirds of all referrals; trade and technical schools provided the remaining 32.2 percent of the referrals.